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Stable Leadership and Better Management Needed to Improve Effectiveness

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Comptroller General
of the United States

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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses management problems at the Social Security Administration that must be addressed to assure the continued delivery of high-quality service to social security recipients.

It contains many specific recommendations to the Social Security Commissioner to improve management of the agency, and the Commissioner has begun implementing a number of improvements. But the most important recommendations are to the Congress and the President. Detailed in chapter four of the report, they focus on the need for a fixed term for the Commissioner so the agency can have the leadership stability needed to sustain management improvements.

We are sending copies of this report to the President, Secretary of Health and Human Services, Commissioner of Social Security, Director of the Office of Management and Budget, as well as appropriate congressional committees and members of Congress.

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

Executive Summary

Purpose

The Social Security Administration (SSA) touches the lives of almost all people living in the U.S. and accounts for about one quarter of the federal budget. While aspects of social security policy, such as eligibility or benefit levels, have always received public and congressional attention, less attention has been given to SSA's management. GAO reviewed SSA's management to determine how SSA could improve program operations and better prepare for the future.

Background

In fiscal year 1986, SSA employed about 78,000 people and spent $3.9 billion to administer programs that paid $200 billion in benefits to about 37 million people. Its two largest programs, which provide retirement, survivors, and disability income, are funded through two trust funds. Other programs are funded from general revenue.

Results in Brief

To most of the people who receive social security benefits, SSA seems to run well. They often receive courteous service, and SSA says most payments are timely and accurate. But, SSA has serious management problems that are not clearly visible to the public, have contributed to crisis situations in the past, and could interfere with SSA's ability to effectively accomplish its mission in the future. To fix these weaknesses and meet future challenges, SSA needs:

- Both strong and stable leadership, a condition that has not existed for the past decade. The Congress and administrations have not dealt effectively with this situation.
- Better management of its effort to modernize SSA computer systems so that progress in critical areas, including software development, is improved.
- Better planning to prepare for a future in which its operational and human resource needs are likely to change.
- More focus on financial management to alleviate problems caused by unclear and confusing responsibilities.
- Better controls over service delivery to identify inefficient and ineffective operations.
- Better work force management to improve the work climate.

The new commissioner, Dorcas Hardy, has begun to address SSA's problems. But congressional actions, such as establishing a fixed term for the commissioner, are essential if actions to improve management are to be sustained.

Principal Findings

Strengthen and Stabilize Leadership

Over the last decade, SSA has had seven commissioners or acting commissioners with an average tenure of 17 months; it was managed by acting commissioners for almost half the time. These short tenures, along with commissioners' differing priorities and management approaches, resulted in frequent changes of direction, diminished accountability, and little long-term operational planning. (See p. 40.)

SSA's functional organizational structure has not helped fill the vacuum created by instability in top leadership. It diffused accountability for programs and functions across the agency with little provision for integrating or controlling component activities. Consequently, SSA has been unable to correct significant long-standing problems in management and service delivery, provide a clear and consistent sense of direction to its components, adequately control its daily operations and its computer system modernization efforts, or focus on personnel management. (See p. 54.)

Better Manage Computer Modernization

SSA's slow progress in dealing with its most urgent and critical problem—difficulties in modernizing its computer system—is largely attributable to instability of leadership and the accompanying changes in direction since 1975. The most recent modernization effort, begun in 1982, has substantially improved computer hardware. But SSA has made only limited progress in one of its most important problem areas— software. As a result, much of its work and management information must be processed manually, which is slower, more expensive, and more error-prone than automated processing. Other factors contributing to slow progress include insufficient technical leadership and skilled personnel, an inadequate decision-making process, incomplete and unenforced software standards, and inadequate project tracking and integration. (See p. 134.)

Provide Clearer Direction

SSA plans to spend over $600 million to modernize its computer system and must implement a major staff reduction. However, it lacks (1) a clear sense of how it wants to deliver services and checks in the year 2000, when only about 20 percent of the people receiving benefits now will still be beneficiaries, and (2) adequate assurance that its modernized system will meet future service delivery needs. The absence of a long-term operational plan has been a primary cause of this situation. Ninety-two percent of SSA's senior executives believe such a plan is needed and/or desirable. Efforts to develop such a plan have been initiated on several occasions, but have been abandoned as commissioners changed. (See p. 100.)

Planning for future resource needs is critical to SSA. Over the next 5 years, 41 percent of SSA's senior executives, 47 percent of its grade 15 and 40 percent of its grade 14 managers will be eligible to retire at their option. Despite this, SSA does not have a plan nor has it systematically acted to identify and develop future leaders and managers. (See p. 206.)

Improve Financial Management

Because of inadequate controls, SSA cannot assure workers that their wage records are accurate, and it makes substantial overpayments annually. For example, SSA estimated that it made about $2 billion in overpayments in 1984, and it expects a net recovery of about $870 million (44 percent). Although SSA is aware of problems in its key financial management systems, it has been unable to fix them rapidly due to fragmented responsibility and lack of financial management leadership. For example, SSA's four deputy commissioners each had some responsibility for its major debt management system, 30 organizational units were involved, and no one other than the commissioner could integrate component activities. (See p. 74.)

Enhance Controls Over Operations

SSA's limited emphasis on efficiency has allowed wide variations in efficiency among similar units to persist. Previous commissioners have committed to correcting these problems, but left before accomplishing their goal. (See p. 168.)

Also, SSA has neither established nor used measurable, national benchmarks for service quality or timeliness for certain post-entitlement workloads. As a result, several service delivery problems went unidentified or uncorrected for long periods. These problems included unresponsive service to Medicare beneficiaries, untimely changes of beneficiary addresses, and unclear or incorrect notices that confused the public about benefit changes. (See p. 184.)

Better Work-Force Management

At least two-thirds of SSA's employees report satisfaction with many aspects of their immediate work climate. Many employees, however, are uncertain about their future and report dissatisfaction in several areas, including excessive emphasis on certain production goals and a perception that management is not concerned about their development or well-being during periods of change. (See p. 200.)

Commissioner's Actions

GAO briefed Commissioner Hardy on June 26, 1986—the day she took office—regarding SSA's management problems and possible solutions. She committed to moving quickly and has begun to implement a number of management improvements. Specifically, she established a central planning staff, SSA-wide objectives, and a tracking system to monitor progress and hold managers accountable. Further, she has made leadership changes for SSA's computer modernization effort and taken steps to improve financial management and service delivery.

Recommendations

Among GAO's key recommendations is that the Congress establish a fixed 8-year term for the commissioner. This term should give a commissioner adequate time to develop and begin carrying out a long-range operational plan, as well as to deal with issues requiring sustained efforts, such as computer modernization and how to best organize to provide high-quality service to the public.

GAO is making other recommendations to the Congress and the commissioner to improve management direction and control over agency activities and to enhance personnel management.

Agency Comments

The commissioner generally agreed with the report's findings and recommendations. Other former SSA and HHS officials commenting on the report also generally agreed with the findings. However, differences of opinion exist on how to improve stability in agency leadership and improve its organization. (See pp. 52 to 53 and 69 to 72.)

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Abbreviations

ADP	automated data processing
DDS	Disability Determination Service
DI	Disability Insurance
DOC	data operations center
FIA	Financial Integrity Act
GAO	General Accounting Office
GSA	General Services Administration
HCFA	Health Care Financing Administration
HHS	Department of Health and Human Services
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
OCRO	Office of Central Records Operations
ODO	Office of Disability Operations
OFR	Office of Financial Resources
OHA	Office of Hearings and Appeals
OMB	Office of Management and Budget
OPM	Office of Personnel Management
POMS	Program Operations Manual System
PSC	program service center
RRB	Railroad Retirement Board
RSI	Retirement and Survivors Insurance
SES	Senior Executive Service
SET	Software Engineering Technology
SMP	Systems Modernization Plan
SSA	Social Security Administration
SSI	Supplemental Security Income
VA	Veterans Administration

Section I

Introduction

This section sets the background for examining the origins and development of management problems at the Social Security Administration (SSA). The following areas are highlighted: (1) the growth in numbers and complexity of SSA programs and authority, and the massiveness of the organization in place to deliver services; (2) changing trends in both workload and the availability of resources (primarily over the past decade) and the influences of other organizations over SSA operations; and (3) the management challenges presented by the dilemma in which increased external pressures to reduce administrative expenses clash with an internal culture that places a high value on operating with an unchanging set of priorities.

We conclude the section with a discussion of the methodology we used to evaluate SSA's management effectiveness. To obtain information on management issues affecting SSA's major programs and operations, we employed an integrated approach that relied on interviews with current and former top SSA officials; questionnaires; and the review of documents prepared by SSA, contractors, and others characterizing SSA operations and supporting and explaining various policies and decisions.

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Social Security: A Large and Changing Organization

The original Social Security Act, as passed in 1935, provided for a program to help protect aged Americans against the loss of income due to retirement. Survivors insurance was added as part of the 1939 amendments creating the Old-Age and Survivors Insurance (OASI) program. Since then, the original program has been liberalized and expanded and SSA's responsibilities increased. The Disability Insurance program (DI), another insurance-type program, was added in 1956, and the Medicare program, also insurance based, was added in 1965. Also, the Black Lung Benefits program was added to SSA's responsibilities in 1969.

One of the biggest changes in SSA took place in 1972, when the Supplemental Security Income (SSI) program was legislated. When the program was effective in 1974, it added substantially to SSA's responsibilities. Under this program, SSA's field offices had to deal directly with clients other than those who had an "earned right" to benefits on the basis of their contributions to trust funds (as authorized by titles II and XVIII of the Social Security Act.) The 1972 legislation required SSA to determine the eligibility of recipients for payments on the basis of their level of income and the amount of assets they owned. In 1977 another welfare program, Aid to Families with Dependent Children, which dates back to 1935, was returned to SSA, where it had been from its inception until 1963. Several smaller programs—Low Income Home Energy Assistance, Refugee and Entrant Assistance, and Child Support Enforcement--were transferred to SSA between 1977 and 1980.

These additional programs increased the volume and complexity of SSA's activities and expanded the areas requiring the attention of SSA management. Major additions plus continual changes to the programs created a heavy burden on SSA's computer system.

Since the late 1970's, SSA has been relieved of some of this burden. The Medicare program was transferred to the newly formed Health Care Financing Administration (HCFA) in 1977;[1] by 1986 all programs—except the title II retirement, survivors, and disability programs; the title XVI SSI program; and part of the black lung program—were removed from SSA and placed in the Family Support Administration in the Department of Health and Human Services (HHS). The administration hoped this would reduce the competition for SSA management's attention and allow the agency to more effectively manage its programs.

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[1] SSA continues to perform substantive activities in support of the Medicare program and its beneficiaries.

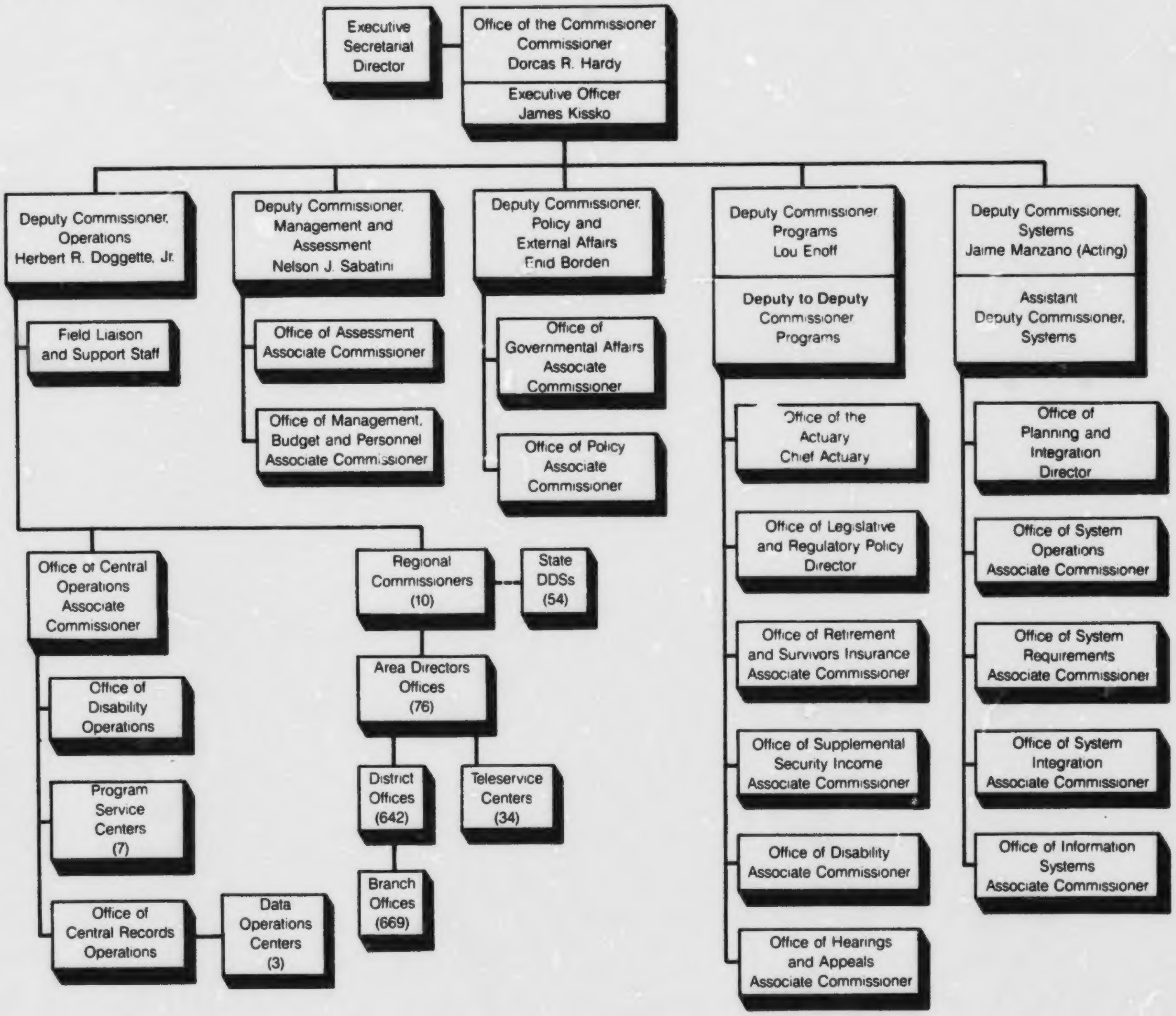
Social security touches the lives of nearly everyone living in the United States. As of 1985, it covered about 95 percent of these people age 65 or over, paid benefits to about 37 million people, and posted about 200 million earnings items. It paid out almost $200 billion in benefits in 1985, while incurring about $3.9 billion in administrative expenses, to account for about one quarter of the entire federal budget. SSA is one of the largest federal agencies, employing about 78,000 full- and part-time personnel nationwide in fiscal year 1986. This represents about 77,000 full-time equivalent staff.

Organization and Service Delivery Network

In the early days of social security, the Social Security Board was generally responsible for program administration. But in 1946, the board was replaced by a commissioner of the new Social Security Administration, a part of the newly formed Federal Security Agency. In 1953, SSA was transferred to the new Department of Health, Education and Welfare, which was redesignated as HHS effective in 1980. There has been considerable congressional interest in SSA's organization, as evidenced by numerous bills introduced since the early 1970's to make SSA an independent agency. The most recent was introduced in January 1987.

The agency's commissioner is nominated by the President, subject to Senate confirmation, and directly responsible to the Secretary of HHS. The commissioner is assisted by five deputy commissioners, whose primary responsibilities are to (1) focus on operations to ensure the efficient and effective delivery of services to the public, (2) develop and issue operating policy and procedures, (3) formulate legislative policies and deal with external affairs, (4) develop and maintain the automatic data processing (ADP) and telecommunications systems essential to the day-to-day operation of the agency, and (5) provide overall management of SSA's resources and assessment and evaluation activities. SSA's organizational structure is shown in figure 1.1.

Figure 1.1: Organization of the Social Security Administration (December 1986)


Executive Secretariat Director
Office of the Commissioner Commissioner Dorcas R. Hardy
Executive Officer James Kissko
Deputy Commissioner, Operations Herbert R. Doggette, Jr.
Deputy Commissioner, Management and Assessment Nelson J. Sabatini
Deputy Commissioner, Policy and External Affairs Enid Borden
Deputy Commissioner Programs Lou Enoff
Deputy Commissioner, Systems Jaime Manzano (Acting)
Field Liaison and Support Staff
Office of Assessment Associate Commissioner
Office of Management, Budget and Personnel Associate Commissioner
Office of Governmental Affairs Associate Commissioner
Office of Policy Associate Commissioner
Deputy to Deputy Commissioner Programs
Assistant Deputy Commissioner, Systems
Office of the Actuary Chief Actuary
Office of Legislative and Regulatory Policy Director
Office of Retirement and Survivors Insurance Associate Commissioner
Office of Supplemental Security Income Associate Commissioner
Office of Disability Associate Commissioner
Office of Hearings and Appeals Associate Commissioner
Office of Planning and Integration Director
Office of System Operations Associate Commissioner
Office of System Requirements Associate Commissioner
Office of System Integration Associate Commissioner
Office of Information Systems Associate Commissioner
Office of Central Operations Associate Commissioner
Office of Disability Operations
Program Service Centers (7)
Office of Central Records Operations
Data Operations Centers (3)
Regional Commissioners (10)
State DDSs (54)
Area Directors Offices (76)
District Offices (642)
Teleservice Centers (34)
Branch Offices (669)

To provide services to the public, SSA operates the following facilities:

- 10 regional offices and 75 area offices, which oversee the activities of SSA's field offices. The regional offices also oversee the 54 state Disability Determination Services (DDSS)[2] and perform the administrative functions needed for field operations.
- 1,312 district and branch offices, which are the primary point of face-to-face contact between SSA and the public.
- 34 teleservice centers, which provide information to the public over the telephone for routine inquiries.
- 3 data operations centers (DOCs), which annually examine and record millions of wage reports from employers and input these data to the central computer complex at headquarters.
- 7 program service centers (PSCs), which perform certain review functions, maintain paper records for all social security beneficiaries, and process disability cases for applicants age 59 to 65.[3] In addition, PSCs handle computer exception processing, issue notices to beneficiaries regarding post-entitlement changes to their accounts, and each year manually recompute benefit amounts for beneficiaries who continue to work after retirement, but whose recomputation cannot be done by computer. There are 6 geographically disbursed PSCs, which handle domestic cases and 1 headquarters international PSC, which handles cases for beneficiaries who reside in other countries.

SSA program operations include four basic functions: (1) issuing social security numbers (enumeration), (2) maintaining earnings information (earnings maintenance), (3) making initial eligibility determinations for benefits (initial claims), and (4) making changes to beneficiaries' accounts that affect their benefit payments (post-entitlement). Also, SSA operates an Office of Hearings and Appeals (OHA) with 133 field hearings offices to judge cases in which the decisions of SSA's operational components or DDSS are appealed.

SSA's ADP operations, centered in Baltimore, serve a crucial support function for SSA programs. SSA carries out its daily operations on large-scale computer systems, while a number of medium- to small-scale special-purpose computers perform various other tasks. Also, SSA maintains an extensive nationwide communications network, giving field offices access to beneficiary data stored in the headquarters computer. Thus, much of the quality of SSA's service to the public depends on how well its ADP systems operate.

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[2] The law requires SSA to contract with states to make the medical eligibility determinations for its titles II and XVI disability programs. There are 54 DDSs, including the 50 states (there are 2 agencies in South Carolina), the District of Columbia, Guam, and Puerto Rico.

[3] The Office of Disability Operations at headquarters processes disability cases for applicants under age 59.

Workload and Resource Trends

Throughout most of its history, SSA, while experiencing increasing workloads and budgets, has not faced severe budgetary constraints. Over the last several years, however, this situation has changed. At least since 1980, SSA's major workloads, including initial claims, began to decline. SSA's six most labor-intensive workloads[4] declined in volume to the point where in 1985 they were 24 percent lower than in 1980 (see figure 1.2). During this period, SSA's total staffing was reduced by 3 percent. There was a 6.5-percent reduction in the work-years associated with the six workloads. But as the figure shows, SSA's overall administrative expenses increased by 51 percent—45 percent for expenses directly associated with the six workloads. Thus, SSA's unit costs are substantially above their 1980 levels. As shown in figure 1.3, since 1980 the unit costs of processing the six most labor-intensive workloads have experienced increases ranging from 46 to 183 percent, depending on workload.

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[4] Overall, SSA records 66 workloads for statistical purposes. The six most labor-intensive workloads represent about 50 percent of the work-years expended and 60 percent of the total administrative expense for the agency in each year since 1980.

Figure 1.2: Trends in SSA Costs, Work-Years, and Workloads (1980-85)

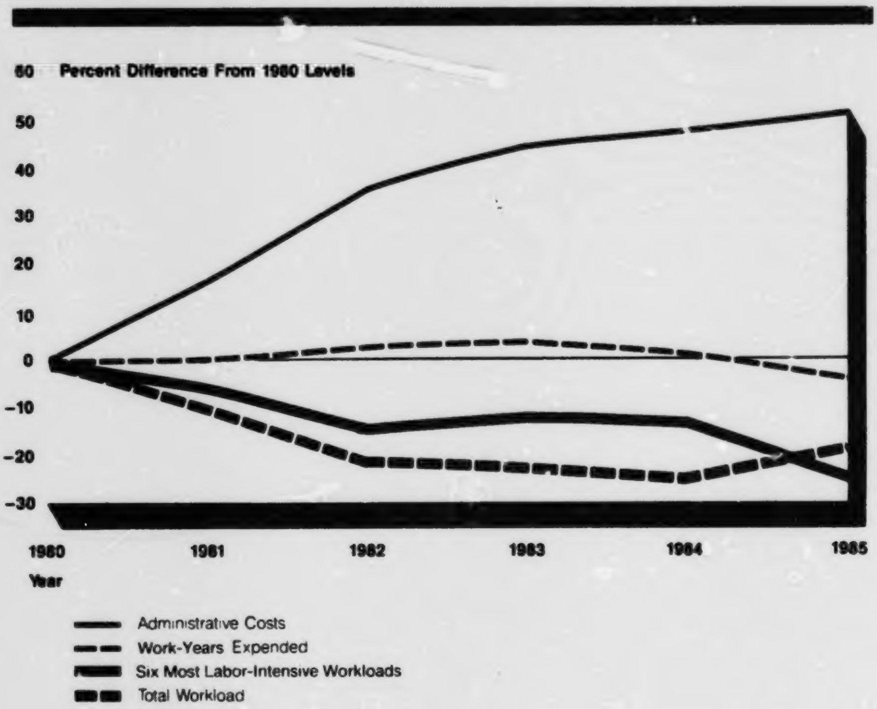
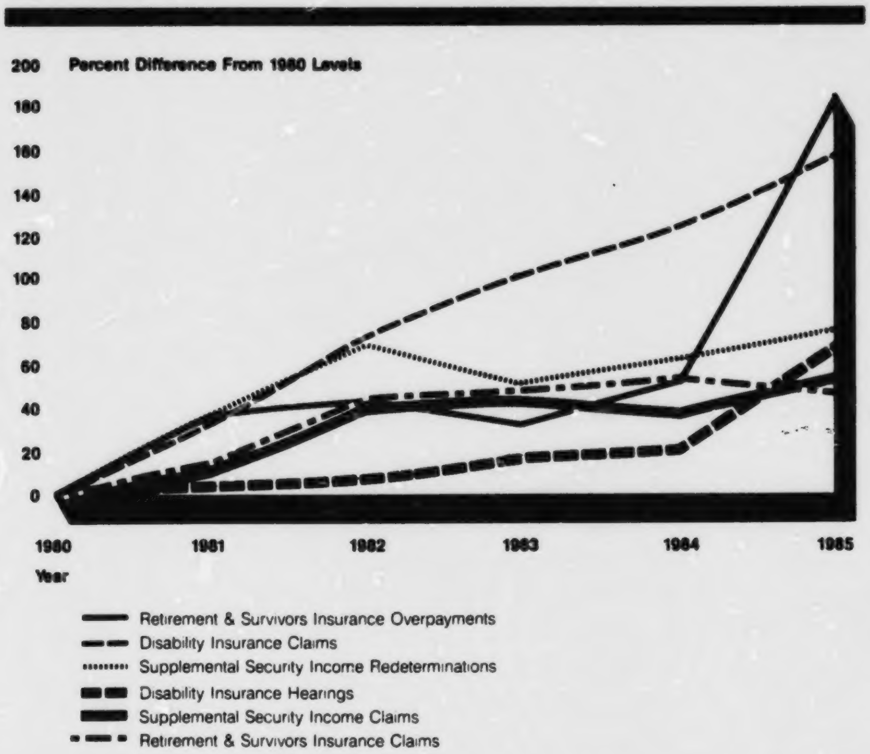


Figure 1.3: Growth in Unit Cost for the Six Most Labor-Intensive SSA Workloads (1980-85)



Our data show that about 21 percent of each unit cost increase is due to inflation in federal government salaries. We believe that the remaining 79 percent is primarily attributable to (1) the increased complexity of SSA's work (resulting in added processing effort) due to legislative changes and court actions and (2) the fact that SSA has kept its staffing levels fairly constant while its workloads have decreased.

SSA officials believe that showing the trend of reducing workloads without reflecting the increases in staff time that SSA shows it used to process the workloads may be misleading. They estimate that the work SSA accomplished in 1985 was about 5 percent greater than in 1980, when changes in the workload mix and the increased complexity of work are factored in with the decreased volume of work. We agree that these factors should be considered, along with the labor-saving improvements in manual processing, increased automation, and technology, when comparing unit costs and work output among years. However, data are not available in SSA to fully and accurately compute and compare the effects of work complexity, mix, or operational improvements on staff needs. As a result, it cannot be determined whether the staffing levels maintained by SSA during this period were appropriate given the reduced volume of work.

SSA Environment: Complex Mixture of Internal and External Influences

SSA's operations and the ability to carry out its mission have been heavily influenced by internal and external factors. Chief among the internal factors is an organizational culture or value system that stresses the accuracy and timeliness of benefit payments and high-quality public service with less emphasis on cost or operational efficiency. Externally, various factors have affected SSA—many over which it has had little or no control. These include (1) court actions and the frequent enactment of legislation, often with short lead times, that make the programs increasingly complex; (2) sometimes conflicting views between or within the administration and/or the Congress on how SSA should operate; (3) the need to comply with decisions or requirements of central management agencies; and (4) a high degree of dependence on other organizations and the public to provide the data needed to administer its programs. In addition, SSA has had to devote staff and computer support to help other agencies perform their missions.

The Influence of SSA's Internal Culture

SSA's internal culture is rooted in its history. From its inception in the 1930's through the early 1970's, SSA had adequate funding and resources for its programs, as well as congressional and executive branch support for frequent expansion and liberalization of its programs. As a result of this environment, management has tended to focus its attention on paying benefits on time and accurately and has given less attention to the costs involved. With this focus, SSA has traditionally provided a high degree of public service, has garnered a reputation for management excellence, and during the 1980's has continued to improve various aspects of public service, such as

- decreasing the times it takes to issue social security cards and to post individuals' annual earnings to SSA records,
- intensifying efforts to identify overpayments, and
- establishing initiatives to address various long-standing problems.

Starting in the mid-1970's, SSA began to face a string of crises. For example, it had serious problems implementing the SSI program, which required it to establish a complex communication and computer system, acquire 15,000 new employees, and transfer records for 3 million recipients from over 1,300 state and local governments—all within a 14-month period. These problems caused high error rates, long processing times, and computer systems problems. Other crises SSA encountered in the late 1970's and early 1980's included:

- A computer systems crisis that resulted in large processing backlogs, poor service, and substantial manual effort to process work.
- Procurement improprieties involving fraudulent activities and acquisition of computer equipment that did not consistently meet performance requirements.
- Widespread public and congressional charges of unfair and insensitive treatment caused by aggressive efforts to collect debts from overpaid beneficiaries and to remove disabled clients from the beneficiary rolls through continuing reviews of their ability to work.
- Trust fund shortages occurring in the late 1970's and early 1980's.

These crises have eroded SSA's reputation for management excellence. In addition, the past problems with trust fund shortages, together with the current increase in the federal budget deficit, have generated interest by both legislative and executive branches in controlling the growth of benefits and the cost of providing them. Pressures to control costs are likely to continue.

Significant changes in the demographics of the beneficiary population, as projected by SSA's actuaries, will likely require that SSA alter its ways of doing business in the future as well as increase demands for cost-effective program administration. Several important factors—such as the post-World War II "baby boom" generation reaching retirement age, higher labor force participation by young women, lower birth rates, and increases in life expectancy—portend major changes in the composition of the population. In addition, by the year 2000, only 20 percent of those receiving benefits in 1985 will still be beneficiaries. Also, by 2025, the number of beneficiaries will approximately double compared to the 1986 level, while the ratio of social security covered workers available to support each retirement/disability beneficiary will decline. For example, in 1960 there were about 5.1 workers for each beneficiary and in 1985 there were 3.3. By 2025, this ratio is expected to drop to about 2 workers for each beneficiary.

New beneficiaries who are more accustomed to modern conveniences will likely accept and demand more flexible service delivery methods than SSA now offers. They may desire more mail and telephone service and less reliance on face-to-face contact. Also, changes in the worker-to-beneficiary ratio and increased attention to reducing the cost of government indicate that pressures for more efficient program administration will grow. SSA will have to consider how it can maintain quality service while substantially decreasing the costs of providing service.

Pressures to reduce administrative expenses and change established patterns of service, have been met with resistance due to SSA's culture, which tends to maintain the same priorities for face-to-face public service, large numbers of field offices, and consistently high staffing levels. This resistance to change has been difficult for commissioners and acting commissioners to deal with and will present a challenge for SSA's new management.

Social Security Programs Are Complex

Social security programs are complicated to administer due to (1) frequent legislative changes which have liberalized and expanded programs, (2) the deference of social security law to state law in certain instances, (3) complex interrelationships among SSA's programs and between SSA and other federal agency programs, and (4) the effects of court decisions on national social security policy.

In the 1940's, under the basic social security program, only retirees, their dependents, or their survivors received benefits. Today, benefits are paid to many different types of beneficiaries, including early retirees, widows/widowers, the disabled, and persons age 70 and over regardless of work status. From 1977 to 1985, 100 laws were enacted containing about 470 provisions governing SSA programs. These provisions, for example, changed the age of entitlement, increased benefit rates, and liberalized eligibility criteria. Since the enactment of the social security program, there have been 92 changes in the monthly benefit calculation and 26 changes in the earnings test (the amount of earnings certain retired beneficiaries can make before their benefit amounts are reduced). These changes have caused (1) increased burdens on SSA's ability to automate legislative provisions; (2) increased reliance on costly, error-prone manual processing; and (3) pressures on existing staff to consistently implement huge volumes of rapidly changing policies and procedures involving complex criteria and exceptions.

In some situations, social security law defers to state law, which complicates program administration. For example, entitlement to children's benefits is based on various state laws that define child-parent relationships. The exceptions, differences, and loopholes in each state's law make determining child-parent relationships difficult.

The interrelationships among SSA programs and between SSA programs and other federal and state agency programs also can create administrative difficulties. For instance, the amount of SSI benefits paid to a recipient is at least partially offset by the amount of social security benefits received, and social security disability insurance benefits can be reduced by the amount of workers' compensation and black lung benefits received. Consequently, accurate comparison and adjustment of benefit payments must be made by SSA to avoid underpayments or overpayments according to the law.

In addition, court decisions and decrees have impeded the consistent application of SSA's policies and added work and cost to its programs. For example:

- Since the early 1980's, the Supreme Court has granted review of more than 100 cases raising due process issues under the Social Security Act. This has increased the workload and expanded the activities of SSA personnel.
- The courts have ordered SSA to act on their decisions within specified time frames, which may require SSA to divert staff resources from day-to-day responsibilities and delay processing of claims.
- Court decisions have expanded the classes of individuals entitled to benefits, which has added to SSA's workload.
- Court decisions have overturned some of SSA's policies and required SSA to issue regulations.

Short Legislative Lead Times Can Adversely Affect Implementation

Many changes to social security law have provided relatively short implementation lead times. This has often hindered SSA's ability to issue adequate implementing regulations and operating instructions to its employees and to properly develop and test computer systems to automate the changes. As a result, SSA has had to rely on error-prone, labor-intensive manual processes. For example:

- In 1972, SSA was given 14 months to implement the SSI program. This was an enormous task involving transferring state and local beneficiaries to federal rolls, implementing complex eligibility and benefit criteria, automating the new process using data from all the individual states, hiring and training new employees, and opening new social security field offices. To meet the effective date of the legislation, SSA could not automate all of the processes needed, but had to use many manual processes. SSA also made eligibility decisions that later were determined to be improper and cost the program millions of dollars. Additional work to reverse bad decisions and collect overpayments made during the early stages of the program was also required.
- The Social Security Disability Amendments of 1980 had 14 provisions with lead times ranging from 23 days to 18 months, and the Omnibus

Budget Reconciliation Act of 1981 had 13 provisions with lead times ranging from 17 days to 16 months. (See p. 126 for a detailed explanation of why these lead times were inadequate to accomplish automation of the legislated provisions.)

In part, the underlying cause of SSA's current ADP software problems (see p. 126) can be attributed to the shortcuts taken to rapidly automate the requirements of frequent legislative changes with short lead times. These shortcuts were taken to modify the ADP systems software, but often resulted in an undocumented patchwork of software that led to error-prone systems.

Dilemmas Resulting From Trying to Serve Conflicting Interests

Various congressional committees and subcommittees have policy-making, fiscal, and oversight responsibility for SSA. Their actions are not always consistent among themselves nor with actions taken by the executive branch. This poses a dilemma for SSA's management, making it difficult to establish a clear, consistent sense of direction. For example, frequent legislative changes (increasing SSA's workload responsibility) from several committees required SSA to upgrade computer capacity. However, other legislation, which requires full competition for major procurements, imposed restrictions that SSA felt delayed acquisition of needed equipment. This meant that SSA had to rely on manual, error-prone processes to implement the legislation on time due to the lack of ADP resources.

In another case, the Office of Management and Budget (OMB) called for an SSA staff reduction of 17,000, to be accomplished between 1985 and 1990. In addition, it proposed that SSA begin a comprehensive effort to consolidate field offices to achieve the most efficient geographic deployment of its resources. As SSA's management initiated planning for the staff cut, however, the House Appropriations Committee rejected the staff reduction and included funds in SSA's budget to support 1,000 positions above the staff level included in the President's budget for 1986. In addition, an SSA field office study, which had been in process several years before OMB became involved, was met with outcries from individual congressmen, employees, unions, and others. The House and Senate Appropriations Committees stated in respective reports in September 1985, that no funds were to be provided for office closings until a study of the impact on public service was completed. Since then, SSA has made only minimal changes to its field structure.

The inconsistency between the desires of the Congress and the administration has dissuaded SSA's management from taking certain actions that could improve operations. SSA has been reluctant to (1) do formal long-range planning; (2) announce the full impact on staff of its computer modernization efforts; and (3) make operational changes that would enhance efficiency if they involved staff reductions, involuntary relocations, or office closings.

Central Management Agencies Influence Operations

The Office of Personnel Management (OPM), OMB, and the General Services Administration (GSA) also have influenced management of SSA's programs and activities. For example, OPM policies and procedures on salary levels have made it difficult for SSA to recruit and retain computer specialists. Since 1981, GAO has reported[1] that SSA has a serious shortage of computer specialists, and has linked this shortage to the fact that OPM-established federal salary rates are not competitive with those of private industry. The lack of sufficient computer specialists has delayed some ADP modernization projects as well as the automation of new legislated program changes.

OMB has adopted a role of increasing involvement in SSA's management, which constrains management's flexibility in making operational decisions. OMB called for a reduction in staff of 17,000 by the end of fiscal year 1990 and gave SSA specific baseline numbers for accomplishing the reduction. It required SSA to streamline its operations through specific initiatives and gave SSA targeted budgetary savings to be achieved through fiscal year 1990. In the early 1980's, OMB proposed legislation, enacted by the Congress, to eliminate or reduce social security benefits and also required SSA to identify and contract for administrative functions that could be more efficiently carried out by the private sector. These are major operational changes that have required SSA's management to take a reactive rather than proactive approach to design and implementation.

Since 1980, GAO has reported and testified[2] that GSA experienced problems in acquiring sufficient office space for SSA. Many of the SSA officials we interviewed also complained about poor or slow GSA maintenance or repair service.

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[1] Solving Social Security's Computer Problems: Comprehensive Corrective Action Plan and Better Management Needed (HRD-82-19, Dec. 1981), and Social Security Administration's Computer Systems Modernization Effort May Not Achieve Planned Objectives (GAO/IMTEC-85-16, Sept. 1985).

[2] Status of Social Security Field Office Space Needs (HRD-81-64, March 1981), and testimony before the Subcommittee on Social Security of the House Committee on Ways and Means on July 30, 1984, and April 23, 1985.

SSA Is Highly Dependent Upon Others to Accomplish Its Mission

SSA is highly dependent upon states, other federal agencies, businesses, and the public to successfully carry out its mission. For example:

- The medical aspect of determining eligibility for disability payments under the social security title II and SSI disability programs is administered by 54 state disability determination services under a regulatory relationship with HHS. While the overall management of these programs rests with SSA, the DDSs make the original determination of disability, evaluate medical issues in initial and continuing disability determinations, and develop additional medical evidence that may be needed for decision making.
- The Internal Revenue Service (IRS) provides earnings information to SSA for self-employed individuals for posting to their earnings records.
- The Veterans Administration (VA) provides data for updating its benefits on the SSI master record to prevent SSI overpayments due to underreported or unreported veterans' benefits.
- Schools, as well as students themselves, provide data to SSA to identify students not entitled to social security benefits due to the existence of a disqualifying event, such as less than full-time attendance or marriage.
- The Immigration and Naturalization Service (INS) provides SSA with data for determining (1) the validity of INS documents, (2) conditions under which aliens are admitted, and (3) whether aliens are authorized to work.
- Employers (businesses, state governments, and individuals) supply reports of earnings for posting to each employee's account to establish social security coverage and benefit amounts.
- Accurate information on current earnings, entitlement events (marriage, death, etc.), and changes of address must be reported to SSA to prevent overpayments and underpayments. We reported[3] that as of September 1984, about $1.3 billion in outstanding overpayments were caused by beneficiaries who misreported, reported late, or did not report events that would reduce or eliminate benefits.

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[3] Need to Strengthen Social Security's Beneficiary Reporting Requirements and Enforcement Authority (GAO/HRD-85-12, March 1985).

Operational Support Provided to Others

In addition to administering its programs, SSA must provide substantial support to other federal and state agencies. For example, this includes taking black lung and food stamp applications for use by the Departments of Labor and Agriculture, and processing annual reports of earnings from employers and providing the data to the IRS for tax administration. SSA continues to handle some Medicare functions. For example, it determines program eligibility, issues Medicare cards, maintains beneficiary records, deals with Medicare inquiries, and collects Supplementary Medical Insurance premiums. Some Medicare computer programs are operated on SSA's computer equipment, and the vast majority of health insurance data are transmitted over SSA's telecommunications system. SSA estimated that 4,769 work-years would be required to perform activities for IRS and HCFA in fiscal year 1986.

Also, SSA participates in a variety of data exchanges with other federal and state agencies that use SSA's computerized records of earnings and other information to determine eligibility and payment amounts for associated assistance programs. For example, SSA's records of social security numbers, earnings, and payment data support functions (to establish benefit offsets, taxes paid, and work status, respectively) of the VA, IRS, and the INS, as well as other federal and state agencies. These data exchanges are likely to continue with even more emphasis in the future as a means to reduce the amount of improper payments and to control the growth of federal spending.

Chapter 3

Objectives, Scope, and Methodology

The objective of our management review of SSA was to conduct an agency-wide assessment of management systems and administrative support functions and develop specific recommendations on how SSA can bring about and sustain needed improvements. Our specific objectives were to

1. Assess SSA's management effectiveness in

- preparing for the future. That is, did SSA have the strong stable leadership and management processes necessary to chart a course on how it wants to do business in the future?
- providing quality public service in a cost-efficient manner.
- providing a favorable work climate to enhance work-force quality. SSA's employees work in an environment in which budgetary staff cuts, significant systems improvements, and major workload shifts among organizational units all are taking place at about the same time. We looked at the effects of this environment on morale, productivity, and public service as well as how SSA management was dealing with change.

2. Identify key actions that should be taken by current and future managers to restore the confidence of the Congress and the public in the management of SSA following such problems as a computer system crisis, insensitive treatment of thousands of disabled beneficiaries, and a procurement scandal. We sought to identify specific improvements that would demonstrate that SSA's management can establish priorities, develop a plan for addressing the aforementioned problems, and initiate actions to correct problems over time.

3. Facilitate implementation of the actions we identified as needed by performing an immediate, comprehensive follow-up review to this management review.

Our review was done at SSA headquarters in Baltimore and at various field locations nationwide. We conducted interviews and collected and analyzed information at 50 locations in 9 of SSA's 10 regions. Our detailed fieldwork took place between January and September 1986.

Questionnaires Administered to Employees and Mid-Level Managers

We sent a questionnaire on personnel and operational issues to 1,094 lower-level SSA employees, and another questionnaire to 813 mid-level SSA managers. Through the latter we generally sought the perspectives of managers on the continued existence of previously identified problems at SSA and potential problem areas identified by organizational researchers who have studied large organizations. For detailed information on the sample selection process used, refer to our report Questionnaire Responses From SSA Mid-Level Managers and Employees Regarding Management and Personnel Issues (GAO/HRD-87-72), which supplements this report.

SSA Employee Questionnaire

A standardized questionnaire was mailed to SSA employees in March 1986 at grade levels between GS-4 and GS-13. Responses were received by September 1986. We designed it to obtain data about such personnel and operational issues as morale, work assignments, supervision, computer systems and automation, training and development, and performance appraisals. A stratified random sample was drawn from 6 of the 11 largest job series in terms of numbers of employees. The 6 job series comprise about 58 percent of all SSA employees. Our sample was stratified into three groups so that a valid projection could be made for the responses for each group individually. (Group I consists of claims representatives and service representatives; group II consists of benefit/claims authorizers, claims clerks, and hearings assistants; and group III consists of computer specialists, analysts, and programmers.) Our sampling plan was designed to yield an expected sampling error of plus or minus 5 percent at a 95-percent confidence level for each group. Our sample of 1,094 employees was adjusted to 1,077 to exclude individuals who were no longer SSA employees. Of the 1,077 employees in our adjusted sample, 905 (about 84 percent) responded, making the results statistically projectable at the desired confidence level.

SSA Mid-Level Manager Questionnaire

The standardized questionnaire we mailed to mid-level managers in June 1986 was designed to obtain information on issues related to SSA's organization, operations, performance management, morale, priorities, and other management functions based on their opinions and experiences. Responses were received by September 1986. Of the 813 questionnaires sent to mid-level managers, 300 were sent to district and branch office managers and 513 to headquarters and other field managers. These sample sizes were adjusted to 291 and 490, respectively, to exclude individuals who were no longer SSA managers.

The 490 headquarters and field managers included all headquarters managers at the following levels: deputy associate commissioners, office and division directors, and deputy office and division directors. Positions in the Office of Management, Budget, and Personnel (OMBP) were generally excluded because they are primarily responsible for administrative and support functions that were being reviewed. But we included OMBP managers in the Office of Assessment because they review the quality of SSA's mission-related activities.

All field managers were included at the following levels: deputy regional commissioners, assistant regional commissioners, area directors, PSC directors, PSC/Retirement and Survivors Insurance (RSI) process branch managers, regional chief administrative law judges, administrative law judges-in-charge in field hearings offices, and DOC managers.

Our adjusted random sample of 291 district/branch office managers was selected from a universe of 1,311. Our sampling plan for district and branch offices was designed to yield an expected sampling error of plus or minus 5 percent at a 95-percent confidence level.

Two hundred sixty-one district/branch office managers (about 90 percent) responded to our questionnaire, making the results statistically projectable nationwide to the universe of district/branch office managers. Of the 490 headquarters and other field managers, 384 (78 percent) responded. The overall response rate for both groups was 83 percent.

Senior Executives, Mid-Level Managers, and Employees Interviewed

To obtain detailed information, we interviewed selected SSA employees. We were particularly interested in obtaining the perspectives of members of the Senior Executive Service (SES) on the management problems and successes SSA has experienced in recent years. The following staff were interviewed:

- 37 senior executives, including all of the deputy commissioners, associate commissioners, regional commissioners, PSC directors, the chief actuary, and office directors in the Office of Disability Operations (ODO), Office of Program Service Centers, and the Office of Central Records Operations (OCRO);
- Directors of 2 of the 3 DOCs, disability program directors in 3 SSA regions, 7 area directors, 14 district office managers, 3 branch office managers, and HHS personnel officers in 3 regions;

- 54 PSC employees, 64 district office employees, 17 branch office employees, 7 telephone service center employees, 9 OHA employees, 2 state DDS employees, 4 DOC employees, and 129 headquarters employees.

Major SSA Programs, Management Functions and Processes Covered

Our review included coverage of SSA's major programs including RSI, DI, and SSI, and major management functions and processes. In examining these activities, we:

- Examined SSA-generated operational data and management information to determine its usefulness in managing SSA programs and where improvements could be made. Such operational and management data included budget and financial data, quality assurance reports, work measurement data, SES contracts and merit pay plans, ADP contracts, training course descriptions, staff allocation procedures, and debt collection activity data. We did our review in accordance with generally accepted government auditing standards. For the purposes of this review we did not consider it necessary to verify the accuracy of all information produced by SSA's computer systems.
- Reviewed reports issued during the last several years by GAO, the HHS Inspector General, SSA, and contractors regarding SSA activities and programs.
- Assessed the management functions of planning, budgeting, financial management, personnel, information resource management, productivity, decisionmaking, and leadership. We also assessed SSA's headquarters organizational structure.

Discussions Held With Consultants and Former SSA Commissioners

We discussed SSA management and its problems with outside experts and former HHS and SSA officials, including five former SSA commissioners or acting commissioners. We obtained their views, based on their experience at SSA and/or in other organizations, regarding management issues, functions, and processes. Following are the former commissioners we interviewed and their tenures.

Table 3.1: Former SSA Commissioners Interviewed

Commissioner	Tenure[a]
James B. Cardwell	10/73 - 12/77
Don Wortman (Acting)	12/77 - 09/78
Stanford G. Ross	09/78 - 12/79
Herbert R. Doggette (Acting)	01/81 - 05/81
Martha A. McSteen (Acting)	09/83 - 06/86

[a] Time frame from date designated or confirmed to date resigned.

Report Comments

SSA, as well as former HHS Secretary Wilbur Cohen and former Commissioners Robert M. Ball and Stanford G. Ross, commented on a draft of this report. Their comments largely concerned the subjects of leadership and organization which are discussed in chapters 4 and 5. Those comments are discussed at the conclusion of those chapters. Comments on other aspects of this report were less extensive and broader in nature, and are discussed in Sections III, IV, and V. (See app. II for SSA's comments.)

Although SSA did not comment specifically on each of our recommendations, it began taking action on many of the problems we identified after our June 1986 briefing for Commissioner Hardy. We have identified SSA's actions where appropriate in this report, but have not evaluated their effectiveness. We plan to evaluate SSA's actions during a follow-up review which should begin in the summer of 1987.

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Providing Stronger and More Stable Leadership

Various circumstances and conditions have combined over the years to undermine confidence of the Congress as well as many of SSA's employees in the leadership and management of SSA. For example:

- In the past decade, SSA has not had consistent or fully empowered leadership because of frequent changes in commissioners and extensive periods of leadership by senior executives serving as acting commissioners.
- SSA has an organizational structure that diffuses accountability for both programs and key management functions, such as financial management, among many components. Until the fall of 1986, when it established an agency-wide planning staff, it lacked an institutional capability to integrate related activities of components.
- Finally, SSA had an unstructured decision-making process that did not promote the (1) identification or sufficient analysis of alternatives and risks, (2) involvement of key agency officials, and (3) communication of results.

These problems, together with others discussed in this report, have contributed to many of SSA's operational and managerial problems and made it difficult to implement change and adequately prepare for its future.

SSA can improve its decision-making process relatively easily, and Commissioner Hardy has taken steps to do this. On the other hand, strengthening and stabilizing its leadership and dealing with its organizational problems are steps more difficult to implement and sustain. Changes in elected officials, limitations on salaries, and other factors make turnover in leadership inherent in our system of government. Beyond encouraging appointed officials to complete their terms, there is little that SSA or the administration can do to prevent management turnover. SSA must create a more favorable organizational environment and lessen the disruption that can accompany changes in leadership by strengthening its institutional capability to manage its mission.

In this regard, Commissioner Hardy has begun to address problems caused by SSA's fragmented structure. She has established a small staff to help provide central direction and to integrate the activities of SSA's various components. She also implemented a short-term planning and tracking system to identify priorities, performance targets, and responsible officials. She plans to hold these officials accountable for results. Further, she appointed a chief financial officer to provide a focal point for agency financial management, effective March 1, 1987. These actions should considerably strengthen SSA's leadership.

We are recommending that SSA take additional actions to create a more favorable and stable organizational environment. These actions include (1) establishing a career general deputy position to help run SSA's daily operations and oversee the integration of component activities; (2) developing a long-term plan that clearly delineates SSA's future goals and methods to accomplish them (see Section III); and (3) making a long-term assessment of additional organizational changes that could better facilitate decision making, implementation of long-term plans, better accountability, reduced levels of review, and clearer delineation between line and staff. With such changes, SSA could operate more efficiently and effectively. It could maintain accountability for addressing major problems and initiatives while being flexible enough to accommodate changes or lapses in political leadership.

Finally, the Congress and the President can further facilitate more stable leadership at SSA. The Congress should enact legislation to create a fixed term for the commissioner. The President should try to reduce the time that SSA operates under an acting commissioner through prompt nomination of candidates to fill vacancies when they occur.

Strengthen and Stabilize Leadership

During the past decade, SSA has experienced frequent turnover among its politically appointed commissioners. Further, it has operated for extensive periods under the direction of career executives serving in an acting capacity as commissioner and in other senior-level positions. This situation has adversely affected SSA by depriving it of top leadership with political ties to the administration and the strong, stable senior leadership necessary to provide a clear sense of direction, adequately prepare for the future, effectively modernize operations, and resolve long-standing problems.

Instability in Leadership Undermines Effective Management

In sharp contrast to its previous history, SSA has had frequent turnover in its commissioners during the past 10 years (see table 4.1). Since late 1977, there have been seven different commissioners or acting commissioners and through former Acting Commissioner McSteen's term (ending in June 1986), they have had an average tenure of about 17 months. Between December 1977 and Commissioner Hardy's confirmation, four acting commissioners managed SSA for about 47 months—about half of this 8-1/2 year period.

Table 4.1: SSA Commissioner's Tenures (1946-86)

July 1946-December 1977		December 1977-Present	
Name	**Months**	**Name**	**Months**
Arthur J. Altmeyer[a]	81	Don Wortman[b]	10
William L. Mitchell[b]	7	Stanford G. Ross	15
John W. Tramburg	8	Herbert R. Doggette[b]	(2 days)
Charles I. Schottland	53	William J. Driver	12
William L. Mitchell	39	Herbert R. Doggette[b]	4
Robert M. Ball	132	John A. Svahn	28
Arthur Hess[b]	6	Martha A. McSteen[b]	33
James B. Cardwell	50	Dorcas R. Hardy	in office

[a] Served also as a member and chairman of the Social Security Board from 1937 to 1946.

[b] Served in an acting capacity.

Similar leadership instability has also existed among SSA's senior executives. Since the late 1970's, SSA has experienced an average yearly vacancy rate—unfilled positions or positions filled by officials in acting status—of about 25 percent in its allocated SES positions. Further, SSA was only permitted to fill 76 SES positions through Acting Commissioner McSteen's tenure. She was unsuccessful at getting HHS approval to fill the 12 other established positions.

Leadership instability particularly has affected the top echelon of SSA's executives. Former Acting Commissioner McSteen served in an acting status for 2-3/4 years. Also, three of the four deputy commissioners under her were in an acting status for extensive periods. The deputy commissioners for management and assessment and programs and policy were acting for more than 2 years. The previous deputy commissioner for systems was acting for about 2 years.

Leadership in the critical systems area has also been a problem. It requires years to plan, design, and build a computer system of the magnitude needed by SSA. Yet, since 1976, there have been six top executives for the systems area, and three of these, including the incumbent, served in an acting status for a total of nearly 4 years.

Our interviews with SSA's senior executives showed their concern over SSA's unstable leadership. Overall, 28 percent identified SSA's lack of leadership as the agency's single most important problem—citing it almost twice as often as the next most frequently selected item—SSA's organizational structure. Also, in discussing management with SSA's senior executives, 33 of 36 identified at least one major problem related to SSA's vacancy rates or the long-term acting status of officials. For example:

- Two-thirds said it affected the willingness or ability to do long-term planning.
- 53 percent spoke to the reduced clout or effectiveness of acting officials.
- Half cited adverse effects on decision making and addressing long-standing problems.

Most of the adverse consequences resulting from lack of leadership, including long-term acting status or turnover, appeared to center on the commissioner's position. Two-thirds of the senior executives told us that frequent turnover in commissioners had a negative effect on SSA. For example, 15 said the lack of strong stable leadership hampered SSA in its dealings with HHS and OMB over such matters as issuing timely regulations and developing long-range operating plans. Others said the turnover contributed to SSA's computer modernization problems, interrupted actions being taken on major initiatives, and resulted in disruptive and harmful reorganizations.

Former commissioners attributed several significant problems to the acting status or frequent turnover of SSA commissioners over the last several years. For example, former Acting Commissioner McSteer said that:

- The size and complexity of SSA's ADP problems made it difficult for new commissioners with short tenures to grasp them. Therefore, new commissioners often focused on one or two aspects of the ADP problem rather than addressing all comprehensively. Consequently, SSA fell further and further behind.
- The insufficient political support given to acting officials hindered her ability to bring certain matters to final resolution with HHS or OMB, such as issuing regulations or filling vacant SES positions.
- Acting status precluded her from taking significant actions involving SSA's organizational structure.

Other previous commissioners also identified problems with commissioner turnover or acting status:

- Commissioner Ross said his short tenure (15 months) curtailed his long-term initiatives and full implementation of his major organizational change. He believed his reorganization would not have been perceived so negatively had he continued on as commissioner.
- Acting Commissioner Wortman characterized his tenure (10 months) as that of a caretaker.
- Acting Commissioner Doggette (4 months) said that, as an acting official, he was reluctant to begin long-term planning even though he recognized the need for it.

Finally, former Commissioner Ball commented that he believed SSA's leadership has not played a strong enough role in managing the various issues it faced in recent years. In particular, he cited as examples (1) the handling of SSA's relationship with the courts arising from its disability benefit termination actions in the 1980's and (2) OMB's imposition of an arbitrary staff cut of 17,000 by 1990. He said that SSA needs to be stronger in anticipating court decisions, reasonably reacting to them, and in managing differences between the Congress and executive branch rather than reacting to the fallout from their collisions.

Leadership Changes Disrupted Efforts to Address Long-Standing Problems

The turnover of commissioners and other senior executives has hindered SSA efforts to correct numerous problems. Among the senior executives who said that commissioner turnover has negatively affected SSA, 25 percent attributed this to changing agendas and priorities.

Frequent Changes in Modernization Strategies Largely Attributable to Turnover

One of the clearest examples of the problems caused by leadership changes involves SSA's efforts to modernize its ADP systems beginning in the mid-1970's. In 1975, Commissioner James B. Cardwell initiated an effort to develop an ADP system to carry SSA through the 1990's. To accomplish this goal, he established a new Office of Advanced Systems reporting directly to him. That office was responsible for designing and developing new ADP systems, and subsequently it established a four-phase master plan to implement a 6-year improvement project. Work on phase I was completed in mid-1977. Phase II was then started and proceeded until early 1979, when a new commissioner changed SSA's ADP improvement goals.

In January 1979, shortly after his appointment, Commissioner Stanford G. Ross reorganized SSA. As a part of the reorganization, he merged the Office of Advanced Systems with a newly created Office of Systems and changed the course of the modernization effort. The Office of Systems' responsibilities were to provide ADP support for daily operations and to plan and implement short-range improvements. The Office of Systems abandoned the four-phase plan and in its place developed a "partitioning strategy" that would replace computer hardware in manageable segments. Commissioner Ross said he made these changes because SSA's systems were continuing to deteriorate during the implementation of the four-phase plan. While recognizing that some of the work of the Office of Advanced Systems was valuable, he said the office was organizationally isolated and its work not sufficiently integrated with and related to agency operations. Further, the existing four-phase plan called for a massive overhaul of SSA's systems, whereas he favored making more incremental changes.

In 1982, Commissioner Svahn refocused SSA's ADP modernization efforts for a third time because the partitioning strategy was a redesign for an existing system, was oriented primarily toward replacing hardware, was not focused sufficiently on improving software, and required at least 10 years to complete. He then formulated the 1982 Systems Modernization Plan (SMP), which focused extensively on improving software because that was an important and integral part of modernization. In several respects the 1982 SMP was similar to the system enhancement plan prepared under Commissioner Cardwell in 1977.

During Acting Commissioner McSteen's term, SSA made further adjustments to the SMP. It added a new initiative to automate its management information needs. It also shifted many of its more experienced systems staff from maintenance of its day-to-day operations to its systems redesign effort, replacing them with programmer "trainees." Further, it established a task force to study a distributed data processing concept.

Long-Range Planning Adversely Affected by Leadership Problems

Long-range planning is another area that has been adversely affected by SSA's leadership situation. Ninety-two percent of SSA's senior executives said that SSA's lack of a long-range operational plan was a significant problem. Without such a plan, SSA lacks a clear sense of direction and has no mechanism to institutionalize agency goals. A long-range plan helps to provide continuity and stabilize the organization during leadership changes. Also, it can provide managers and employees with a sense of where the organization is headed and how they fit into the picture.

Despite the strong internal feelings about the need for a long-range operational plan, SSA's leadership situation hindered efforts to develop a plan. For example, although one acting commissioner recognized the need for such a plan, he was reluctant to begin the effort because he believed that long-range planning represented a significant action and should be done by an appointed commissioner. Another acting commissioner did initiate a planning effort; however, HHS would not officially endorse the plan because it involved options and choices of a political nature. In another instance, the newly appointed Commissioner Svahn curtailed an ongoing planning initiative until he could examine SSA's planning process. Commissioner Svahn resigned, however, before reestablishing the planning effort.

Other Long-Standing Problems Go Unresolved

Several other problems have not been resolved, at least partly due to SSA's lack of strong, stable leadership. Former Acting Commissioner McSteen recognized this situation when she established initiatives to address several of these problems. She placed the initiatives under the direction of top officials in an attempt to focus and institutionalize efforts to correct the problems. Mrs. McSteen's initiatives were targeted at the following long-standing issues: notices, claims modernization, operating instructions, agency management, disability program, management information, case control, public information, and annual wage reporting.

Various aspects of these problem areas are discussed in other parts of this report. A brief overview of three follows.

- Notices. Since at least 1978, SSA has had significant problems with the clarity, conciseness, and accuracy of notices it issues to the public concerning their benefits or eligibility. Despite numerous past efforts to improve notices, many of these same problems persist today. According to the project director of SSA's present notice improvement initiative, earlier efforts were not effective because of inadequate management support and the urgency of higher priority issues. (See p. 187.)
- Operating instructions. Since at least 1975, SSA has recognized the need for and made several attempts to improve operating instructions for its employees. In 1979, GAO briefed Commissioner Ross about field office problems with policy and procedural instructions. Although stating that the problems would be resolved, he left office before completing action. SSA's latest initiative to improve its instructions began in March 1984 and is still underway. SSA employees, however, continue to report major problems with operating instructions. (See p. 123.)
- Management information. Since at least 1975, SSA has recognized the need to automate time-consuming manual workload counting and reporting. In March 1982, we reported that despite repeated recommendations, field offices still lacked an automated management information system to meet their needs. Today, only a part of SSA's workload reporting efforts are automated. Almost all post-entitlement-related work still is manually counted to provide managers with workload information. (See p. 136.)

Another long-standing problem cited by both current and former officials has been SSA's slowness to change the way it does business due to its strong organizational culture. SSA's founding leadership had instilled a strong value within the organization to provide high-quality public service through personal, face-to-face interaction with clients in its field offices. This value system has fostered a strong degree of dedication and commitment among SSA's employees and largely been a positive source in fostering high-quality public service. However, it has also served as a strong force that has resisted efforts to modernize the way SSA does business, including giving greater emphasis to providing service by mail or telephone and modernizing its computer system. For example, several officials commented on difficulties associated with attempts to change

SSA's culture or the organization's ability to outlast short-term commissioners attempting to make changes. The Office of Technology Assessment also emphasized SSA's cultural resistance to change and innovation as one of the major causes of slow progress in its computer modernization effort. (The Social Security Administration and Information Technology, Office of Technology Assessment, October 1986.)

Options for Addressing Leadership Instability

Several options exist for strengthening and stabilizing SSA's leadership. These include (1) increasing the commissioner's salary, (2) minimizing the designation of acting commissioners, (3) fixing the commissioner's term, (4) making SSA independent of HHS, and (5) establishing SSA as a government corporation. Although these actions cannot guarantee strong and stable leadership, any one or a combination of them could increase its likelihood. A brief description of each option follows.

Increasing Salaries

The salary paid to top government officials is a factor that can affect the ability to attract and retain SSA commissioners as well as the heads of other federal agencies. GAO and others have reported on inadequate pay levels for government executives. For example, we advocated the development of an executive pay system that will provide meaningful pay distinctions and incentives for recruiting and retaining top federal executives. (See GAO/FPCD-80-72.) In 1984, the Congressional Panel on Social Security Organization stated that the pay level of the commissioner (Executive Level IV—then $74,500) was inadequate for the responsibilities of the position and recommended an increase to Executive Level II—then $77,400.

Although direct comparisons of government and private sector salary levels for top executives are difficult to make, recent data show that pay levels for government executives are substantially lower. In June 1986, Forbes magazine reported the median compensation for chief executives of the 793 largest U.S. companies in 1985 to be $620,000. Further, Forbes reported the median compensation paid to chief executives of 37 U.S. insurance companies (a business that in many ways parallels SSA operations) included in its study was over $600,000.

In December 1986, further information on the need to increase the salary of top government officials became public. The Commission on Executive, Legislative, and Judicial Salaries, citing significant differences in pay levels between private sector and government and a 40-percent erosion in the purchasing power of senior government officials since 1969, recommended that the President make major increases in federal executive salaries. For example, for the Executive Level IV positions, it recommended the salary level be changed from $74,500 to $120,000. However, citing the federal deficit situation, the President proposed significantly smaller increases in executive salaries—an increase to $77,500 for Executive Level IV, which became effective in February 1987.

Minimizing Acting Status

Beyond increasing salaries, other actions can provide SSA with more stable leadership. For example, the President should expedite the appointment of commissioners and minimize the appointment of acting commissioners who, by virtue of their status, lack the political support necessary for effective leadership in government. Further, when selecting officials to serve as commissioner, the President can stress the importance of a long-term commitment and the need to deal with long-standing problems.

Fixing the Commissioner's Term

One option for improving leadership stability would be for the Congress to establish a fixed term for the commissioner, such as exists for the director of the Federal Bureau of Investigation who has a 10-year term. We believe the term for SSA's commissioner should be 8 years. This should give a commissioner enough time to identify and develop an effective long-range operational plan for SSA and to carry out those plans as well as deal with issues requiring sustained long-term efforts, such as computer modernization and how to best organize to provide high-quality services to the public.

With a fixed term, the commissioner would still be appointed by the President with the advice and consent of the Senate. The fixed term hopefully would encourage appointed commissioners to complete their terms while maintaining their accountability to the President and officials in the executive branch. Further, we believe that if the President removes the commissioner he should inform the Congress of the reasons for the removal.

Making SSA Independent

Another option that the Congress has been considering involves making SSA an independent agency. In 1986 the House passed H.R. 5050. This bill provided for, among other things:

- Separating SSA from HHS and establishing it as an independent agency.

- Establishing a three-member board to govern SSA. The President would have appointed the members, subject to Senate confirmation, for 6-year terms and could have removed them only for cause. The President would have designated the chairperson of the board.
- Having the board appoint a commissioner of social security as chief operating officer for a 5-year term, with provision for removal by the board only for cause. The board would also have appointed a deputy commissioner.

In 1984, the Congressional Panel on Social Security Organization reported on ways to establish SSA as an independent agency. The panel recommended keeping SSA under the direction of a single administrator with an advisory rather than governing board. It said this arrangement would achieve the greatest management effectiveness. It said that from a management perspective, (1) a single administrator is far more effective and accountable than multiperson boards or commissions and (2) history strongly suggests that it is almost impossible to keep a board from interjecting into the management of the organization and creating conflict/confusion.

GAO work tends to confirm these findings. In 1979, we reported on management problems at the Federal Communications Commission[1] resulting from operating under the board form of organization. Similarly, we will shortly be reporting on problems at the Consumer Product Safety Commission. These problems included (1) untimely decisions, (2) interjection of commission members in the daily operations of the agency, (3) a lack of insulation from short-term political and economic pressures, and (4) high turnover in commission members and executive directors.

Establishing a Public Corporation

Another option available to the Congress is making SSA a public corporation. The Congress has chosen this approach in the past to provide for greater flexibility and efficiency of operation to agencies engaged in various types of activities. Also, as it has done in the past, the Congress could exempt the corporation from those government-wide administrative requirements it believes hamper SSA operations.

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[1] Organizing the Federal Communications Commission for Greater Management and Regulatory Effectiveness (CED-79-107, July 30, 1979).

Conclusions

SSA needs strong and stable leadership to resolve its problems and to better prepare for the future. However, providing for the needed leadership stability is difficult because our political system fosters turnover. Given the serious nature of SSA's management problems and the importance of providing our citizens with a well-run social security system, GAO believes that the Congress should establish a fixed, 8-year term for the commissioner. This should give a commissioner enough time to identify and develop an effective long-range operational plan for SSA and to carry out those plans as well as deal with issues requiring sustained long-term efforts, such as computer modernization and how to best organize to provide high-quality services to the public.

In addition, the President can help strengthen SSA's leadership by (1) limiting the appointment of acting commissioners and (2) when making nominations for commissioner, stressing the importance of a long-term commitment to solving SSA's problems and preparing it for the future. Even with a fixed term and such presidential action, however, commissioners cannot be prevented from resigning before completing their terms. Thus, we also believe SSA needs to make internal adjustments to help it deal with complex operational problems and to chart and follow a future course of direction.

These internal adjustments can be accomplished by enhancing SSA's organization structure and establishing better management systems and processes to direct, control, and promote efficient operations. Recommendations to accomplish these adjustments are contained in the following chapters. In addition, actions to address the problem areas covered by former Acting Commissioner McSteen's initiatives should be continued even if different approaches to resolving them are considered preferable by subsequent commissioners.

While the above actions should help improve operations, questions remain regarding whether the salary of the commissioner (currently $77,500) is high enough to attract and retain the caliber of leadership needed. Questions also exist about whether the personnel and other administrative requirements that SSA must follow are sufficiently flexible to enable a strong leader to effectively address many of the problems we and others have noted in the management of social security.

Thus, over the long term, the Congress and the President need to assess these issues as they affect the ability of a commissioner to improve SSA's management. If, in the long term, experience shows that such factors as personnel or other administrative constraints are prime inhibitors to effectively and efficiently managing SSA, additional alternatives should be explored. Among these could be the waiving of certain pay or procedural requirements, or establishing a public corporation with appropriate controls and accountability to the Congress, but without some of the salary and other restraints that may prevent the hiring and retaining of top-quality personnel and the use of more efficient procedures.

The Congress has also considered whether SSA could be a more effective agency by making it independent of HHS. Although the House passed H.R. 5050 in the 99th Congress, the Senate did not take up the bill. The 100th Congress will be addressing this issue during 1987. Therefore, we would be remiss in not discussing this issue, given the support for independence in the House last year.

Those favoring independence for SSA see social security as a unique program because of its self-financing nature and the implied agreement with people contributing to social security to have the government pay their "earned" benefits. Therefore, those favoring independence want to insulate the social security programs from short-term fiscal policy decisions. They believe that this insulation would be more likely to occur if SSA were independent and governed by a bipartisan board. Various proposals have been made concerning the relationship that such a board would have with the commissioner. Most, however, would have the board directly involved in all policy matters, as well as having a direct involvement in the oversight of SSA operations. They also believe that independence would provide for more stability of top leadership and result in a better run agency.

Opponents, on the other hand, argue that it is unrealistic and unwise to expect that the programs of an agency that cost the taxpayers more than $200 billion annually should not be considered when making fiscal decisions affecting the government. They also point out that SSA will continue to remain in the executive branch, and thus, regardless of whether it is an independent agency, would still be subject to budgetary and policy reviews by both OMB and the President. Opponents argue further that an independent SSA would lose the benefit of cabinet-level representation and that economic and policy decisions related to other benefit programs administered by HHS should be made in conjunction with policy decisions on social security.

From the perspective of our work, independence has merit to the extent that it could enhance the stature of the commissioner, thereby enhancing the government's ability to attract and retain a top-flight individual. Also, independence for SSA holds the potential benefit of promoting greater leadership stability—a fundamental need if we are to have a well-run agency. To the extent that independence would enhance continuity of policy and direction and clarify for the Congress and the American public who is directly accountable for running the social security programs, independence has further merit.

But one aspect of various proposals for independence is troubling to us—the establishment of a governing board. Establishing an independent SSA under a governing board arrangement could be detrimental to agency management. The argument for a board revolves around the belief that it will insulate SSA activities and decisions from political interference because board members have fixed and staggered terms that overlap presidential terms. However, with regard to management, there has been considerable criticism about the effectiveness of boards. Problems cited include (1) untimely decisions, (2) interference by board members in the daily operations of the agency, and (3) diffused accountability. For example, with respect to accountability, whom should the Congress and the public look to under a board arrangement? The President? The board? The commissioner? Therefore, while a board could provide more stability in leadership, it would seem to do so at the expense of effective management and accountability. In that context, independence could be detrimental.

However, whether or not it is an independent agency, it is clear that the head of SSA should be able to seek advice and guidance from outstanding individuals concerned about the management and effectiveness of our social security programs. Thus, we see merit in having an advisory board to the commissioner regardless of the organizational status of SSA. But, we must emphasize that on balance we do not believe that independence of SSA is essential to solving the serious management problems identified in our report. Independence is not the panacea.

Recommendations to the Congress

To provide more stable leadership for SSA, we recommend that the Congress enact legislation fixing the term of the commissioner of social security at 8 years. In case of removal, the President should be required to inform the Congress of the reasons. In addition, the Congress should periodically monitor SSA's progress in solving its managerial and operational problems. If, in the long term, the Congress believes the actions we are recommending are insufficient, it should consider other organizational alternatives to administer social security programs.

Recommendations to the President

In recognition of the critical importance of social security to the nation and the problems SSA has experienced with instability of leadership and frequent changes in direction, especially regarding computer systems modernization, we recommend that in the future the President:

- Limit, to the extent possible, the appointment of commissioners of social security on an acting basis.
- When nominating persons to fill the commissioner's position, focus on individuals who (1) view the position as one requiring long-term commitment, (2) are inclined to focus attention on resolving significant long-standing problems, (3) are comfortable adhering to long-term operational and computer systems modernization plans, unless major changes are justified and concurred in by the Secretary of HHS and reported to appropriate congressional committees, and (4) are committed to the programs' goals and to providing high-quality, efficient service to social security recipients.

Report Comments and Our Evaluation

Commissioner Hardy, former HHS Secretary Wilbur Cohen, and former SSA Commissioners Robert M. Ball and Stanford G. Ross commented extensively on the issue of providing quality leadership for SSA. There was a general consensus among them that SSA's leadership needs to be stabilized. However, as discussed below, each had different views about the nature of the problem and ways to correct it.

Commissioner Hardy Believes Acting Status of Commissioners Is Prime Cause of Leadership Problems

Commissioner Hardy agreed that SSA's critical role requires strong, stable leadership and that the rate of top leadership turnover should clearly be a priority of any administration and Congress. However, she said the ideal of one commissioner serving a lengthy tenure may not be possible to achieve. Further, she said SSA's leadership vacuum is more a function of it having so many acting commissioners (whose limited authority results in delay of important actions and decisions while the organization awaits new permanent leadership) than the number of appointed commissioners during this period. Regardless of its leaders' tenure, she said SSA's most important objective is to ensure stability of direction. Thus, she is working toward formulating a more structured and definitive strategic plan for the next 10 to 15 years to provide the vision and direction that will guide SSA into the next century.

As discussed in this chapter, we concur with Commissioner Hardy's view that commissioner acting status is a significant part of SSA's leadership problems. However, we believe also that turnover in appointed commissioners is a significant part of the leadership problems. Such turnover played a major role in changing SSA's ADP modernization efforts and its attempts to develop a definitive strategic plan. In short, turnover in appointed commissioners can alter direction and disrupt ongoing initiatives. Therefore, we are recommending changes to improve leadership stability that go beyond making internal adjustments, such as the development of a long-range operational plan.

Messrs. Cohen and Ball Favor Making SSA Independent to Improve Leadership Stability

Both former Secretary Cohen and former Commissioner Ball said that our recommendations were not sufficient to solve SSA's leadership problems and favored making SSA an independent agency as a way to enhance its leadership as well as solve other problems. Mr. Ball, for example, believes SSA should be independent of HHS and be led by a bipartisan policy board, which could hire an executive director and compensate that person at a higher rate than currently authorized. By giving the board members fixed terms, Mr. Ball thinks continuity of leadership could be achieved without putting as much power in the hands of one person as would our recommendation for a fixed, 8-year term.

Concerning our recommendations for a fixed, 8-year term for SSA's commissioner, former Secretary Cohen favors a 5- or 6-year term to avoid politicizing the commissioner's role by avoiding the appearance that the term should be coterminus with a two-term President. On the other hand, former Commissioner Ross questioned the workability of a fixed term that overlapped presidential or secretarial terms unless the commissioner were solely responsible for program administration and no longer had a policy role. This policy role, he believed, could be given to the Secretary of HHS.

We expanded the discussion of making SSA an independent agency and the length of the fixed term to recognize the concerns expressed by Messrs. Cohen and Ball. However, we are not making any recommendations in this report on the independence issue because independence alone will not solve the management problems identified in this report, and independence raises political accountability issues among the President, OMB, and SSA beyond the scope of our review. Further, while we recognize that Mr. Ross's suggestion of separating social security policy-making and program administration offers another option, we did not recommend this approach because in practice the separation between SSA's policy-making and management functions cannot be drawn clearly.

Chapter 5

Organizational Structure Complicates Effective Management

SSA's functional type of organizational structure impedes effective management of its programs and operations and causes problems that are visible across many of SSA's activities. The structure hinders

- the correction of long-standing problems related to issuing clear notices, establishing usable program instructions, and improving financial management;
- program management by making court orders difficult to comply with and regulations difficult to issue; and
- efforts to improve the efficiency of activities that service multiple organizations, such as installing new computer equipment and improving case control systems.

Although a logical and time-proven organizational technique, functional structures become less effective for organizations that operate out of many locations or manage widely differing programs as does SSA. In such an environment, decision making is slowed, pinpointing accountability for programs and problems is difficult, and line and staff working relationships are blurred. Largely this is because only the organization's chief executive has authority commensurate with his or her responsibility. Lower level executives must coordinate and cooperate with each other to achieve objectives. While this is necessary in any organizational structure, it is true to a greater degree in the functional arrangement. When coordination and cooperation break down, problems such as those mentioned occur.

Organizational Structure: Purpose and History at SSA

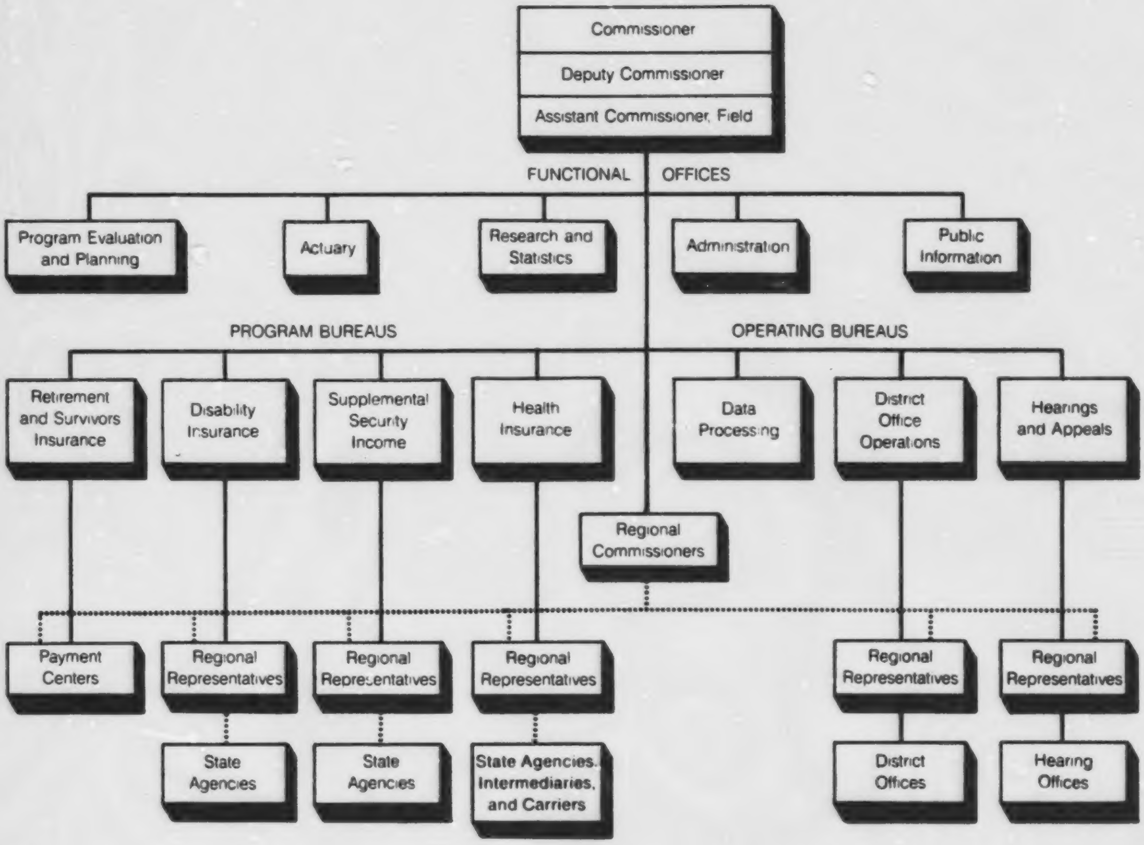
Organizational structures provide the framework in which individuals work and cooperate with one another to get the job done. Enterprises organize by (1) identifying components—distinct areas, divisions, or branches—over which a manager has authority to perform designated activities, and (2) logically grouping units to assist the department managers in working together to accomplish a set of goals. An organization structure graphically depicts areas of operational authority, superior/subordinate relationships, and lines of communication to be followed in coordinating work and getting decisions made.

Various organizational approaches can be taken, including setting up components by territory covered, functions performed, or programs operated. There is no single preferred approach. Instead, a structure has to be tailored to an organization's goals and circumstances because each structure possesses characteristics that enhance or detract from its ability to facilitate the management of certain situations.

For most of its history, SSA's organizational structure was strongly oriented toward the programs it administered. Major operating components were bureaus that administered specific programs and were largely self-sufficient. Each bureau had its own policy, planning, management information, and quality assurance activities.

With the growth in the number of programs administered and development of technology, SSA established specialized functional components responsible for data processing and field office operations. The evolution of independent functional components created a mixed program and functional structure. But the program bureaus remained as first-line management points and provided a strong emphasis on program management. SSA's organization structure in 1973 and how it emphasized program administration are shown in figure 5.1.

Figure 5.1: SSA Organizational Structure in 1973


Commissioner
Deputy Commissioner
Assistant Commissioner, Field
FUNCTIONAL OFFICES
Program Evaluation and Planning
Actuary
Research and Statistics
Administration
Public Information
PROGRAM BUREAUS
OPERATING BUREAUS
Retirement and Survivors Insurance
Disability Insurance
Supplemental Security Income
Health Insurance
Data Processing
District Office Operations
Hearings and Appeals
Regional Commissioners
Payment Centers
Regional Representatives
Regional Representatives
Regional Representatives
Regional Representatives
Regional Representatives
State Agencies
State Agencies
State Agencies, Intermediaries, and Carriers
District Offices
Hearing Offices

In 1975, Commissioner Cardwell significantly reorganized SSA to reduce the number of units reporting directly to him. He did this by having the program directors report to an associate commissioner for programs. While this reduced the direct involvement of the commissioner in program decisions, the structure continued to maintain a program focus.

In 1979, newly appointed Commissioner Ross dramatically changed SSA's headquarters organization structure to a highly functional one that established accountable management units for functions that together made up the programs that SSA administers. These units covered such functions as public affairs, policy, systems, operational policy and procedures, central operations, assessment, family assistance, and the regional commissioners.

The functional structure that Commissioner Ross established had a wide span of control. Over 20 major functional components reported to the commissioner's office. Two deputy commissioners assisted in administering and coordinating SSA's programs. One concentrated on operations to ensure the effective and efficient delivery of services. The other concentrated on program policy issues, public affairs, and intergovernmental relations.

Commissioner Ross reorganized SSA because he believed the commissioner was too insulated from day-to-day program decisions, and he wanted to make major changes in the way SSA did business. To do this, he believed he had to break up existing decision making and communication networks and lines of authority. He wanted to bring in "new blood" to generate different ideas and perspectives. He also wanted to eliminate duplication and better integrate headquarters and field components. Thus, he established a functional structure that tends to force issues that cross functional lines (both program and operational) to the commissioner's office for decision. However, after 15 months and starting SSA down this new path, he resigned as commissioner and did not complete the reorganization and other agenda items.

Several realignments have been made to the functional structure established by Commissioner Ross. In 1983, Commissioner Svahn doubled the number of deputy commissioners to reduce the wide span of control. SSA's four deputy commissioners supervised the performance of activities in four major functional areas: operations, management and assessment, systems, and programs and policy.

Other major changes have occurred since 1979. SSA has increased the number of associate commissioners by elevating certain Office of Systems' activities and program policy writing components to this level and transferred back to HHS administrative responsibility for Family Assistance Programs. In addition, to facilitate the implementation of the 1984 Disability Amendments, the associate commissioners for disability and hearings and appeals reported directly to Acting Commissioner McSteen during much of her tenure. At her departure, they were organizationally returned to the direction of the deputy commissioner for programs and policy. Figure 5.2 shows SSA's functional organization structure as of September 1986. In October 1986, Commissioner Hardy added a fifth deputy commissioner by splitting programs and policy into separate functions. She also established a small planning unit in her office to facilitate agency-wide planning.

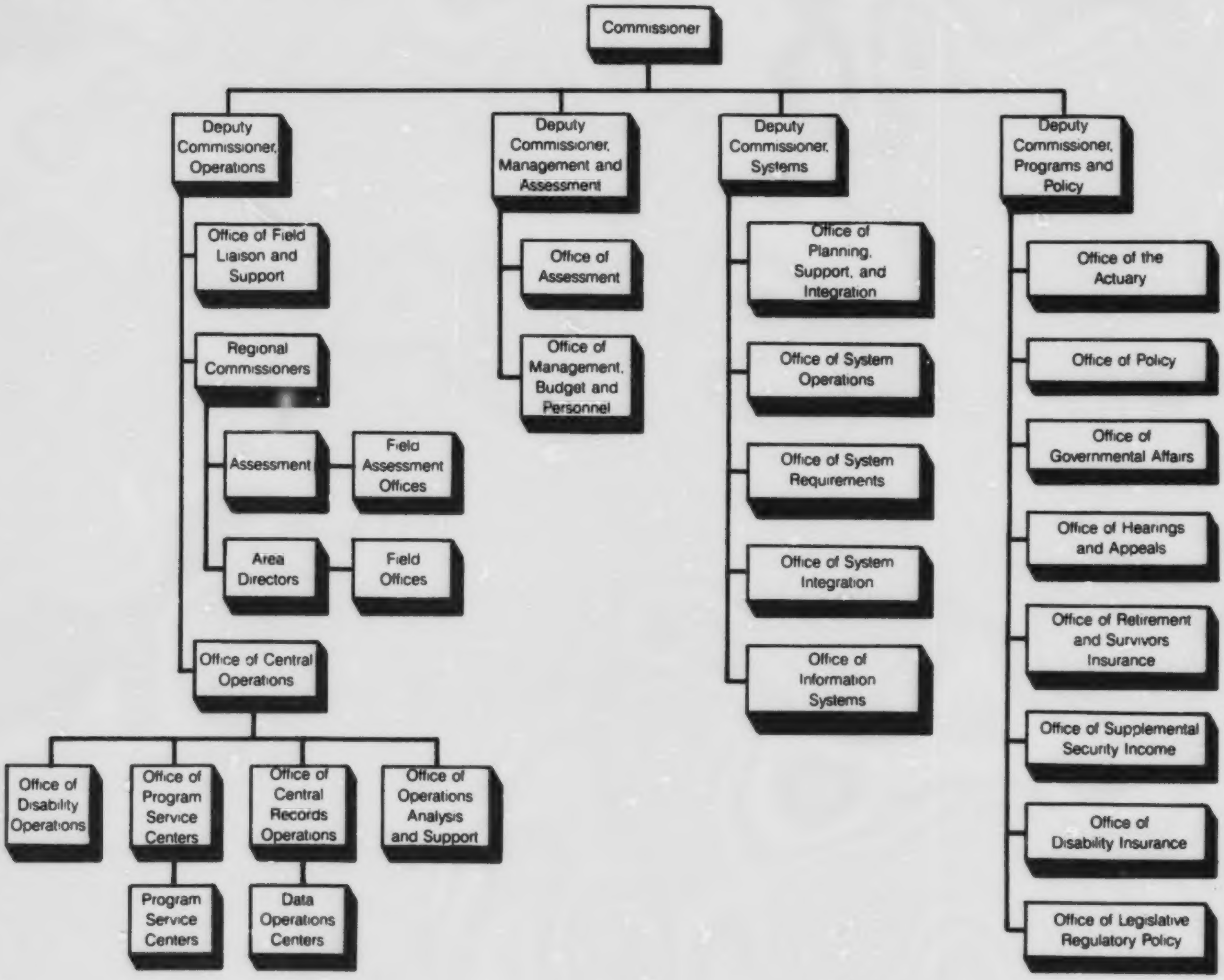

Commissioner
Deputy Commissioner, Operations
Office of Field Liaison and Support
Regional Commissioners
Assessment
Field Assessment Offices
Area Directors
Field Offices
Office of Central Operations
Office of Disability Operations
Office of Program Service Centers
Program Service Centers
Office of Central Records Operations
Data Operations Centers
Office of Operations Analysis and Support
Deputy Commissioner, Management and Assessment
Office of Assessment
Office of Management, Budget and Personnel
Deputy Commissioner, Systems
Office of Planning, Support, and Integration
Office of System Operations
Office of System Requirements
Office of System Integration
Office of Information Systems
Deputy Commissioner, Programs and Policy
Office of the Actuary
Office of Policy
Office of Governmental Affairs
Office of Hearings and Appeals
Office of Retirement and Survivors Insurance
Office of Supplemental Security Income
Office of Disability Insurance
Office of Legislative Regulatory Policy

Figure 5.2: SSA's Functional Structure as of September 1986

SSA's Functional Structure Complicates Management

SSA's functional organizational structure impedes effective management because it serves neither the management of its programs nor its operations well. The structure causes complications that can be seen in (1) SSA's ability to resolve various operating problems, (2) the concerns of its executives and managers, and (3) various studies of its operations.

Structure Frustrates the Correction of Problems

We observed how several efforts to correct operating problems were adversely affected by SSA's organizational structure. For example, for years SSA has experienced financial management problems that it had difficulty resolving. Numerous GAO and Inspector General audit reports have identified significant weaknesses in SSA benefit payment processes. These weaknesses involved (1) inadequate posting and reconciliation of earnings to SSA's records; (2) internal control problems with initial claims, post-entitlement, and SSI payment programs; and (3) inadequate debt collection systems. Also, SSA has paid insufficient attention to improving its cash management practices and debt prevention.

Effective financial management is important to SSA. Each year, it collects and pays out billions of dollars in administering its various programs. But there is no focal point in SSA's structure responsible for assuring sound financial management. Instead, financial management activities are diffused throughout the organization. For example, SSA uses four basic processes to make benefit payments (enumeration, earnings maintenance, initial claims, and post-entitlement). Four deputy commissioners are responsible for portions of the benefit payment process. To illustrate, the deputy commissioner for

- operations oversees the authorization and entry of claims and post-entitlement data into program systems by SSA's 1,300 district and branch offices, its Office of Disability Operations, and its PSCs;
- programs oversees the policies used to authorize claims and post-entitlement changes;
- systems establishes requirements for the data entry process and operates the computer systems that process transactions; and
- management and assessment reviews the effectiveness of these processes.

Further, the deputies have subdivided their functional operations among various offices, branches, and divisions to support their specific benefit payment responsibilities. The extent of fragmentation can be illustrated by the number of SSA offices involved with application activities of the Retirement Survivors and Disability Insurance disbursement system. Thirty organizational units are involved with one disbursement subsystem—debt management. Consequently, extensive coordination and cooperation must take place among units to improve financial management. As described in chapter 6, this approach has hindered SSA efforts to resolve financial management problems.

Nor are the organizational complexities flowing from SSA's functional structure unique to financial management. We observed similar problems in other aspects of SSA's programs and operations. For example, in January 1986 one PSC sent a memo to SSA headquarters listing over 30 situations in which the staff found conflicting information among the Program Operation Manual System (POMS) sections. The POMS sections are prepared by different organizational units. According to policy personnel, conflicts occur because information on a given subject often appears in more than one POMS section and changes may not be made in all appropriate locations. This occurs because there is inadequate coordination or another component gives the change a lower priority and it is completed later. When this occurs, conflicting instructions exist concerning how to handle certain matters, which creates operating errors.

To illustrate the problem:

- One POMS section concerning the payment of certain Railroad Retirement Board (RRB) benefits required that all payments be held in suspense pending a jurisdiction determination. Another section, however, did not require all these payments to be placed in suspense.
- SSA's initiative to resolve problems with the issuance of erroneous and confusing notices provides another example of functional structure problems. Because the responsibility for notice quality was fragmented among several organizational components, Acting Commissioner McSteen designated a project director to lead an improvement effort. Although the initiative has led to improvements, we continued to find confusing, incorrect, or poor quality notices. Problems relating to language and sequencing of the paragraphs were scheduled to be resolved soon, according to SSA personnel involved in the project. But notice quality will still be a problem in the future, project staff said, due to computer system problems that are not scheduled for correction for several years. We were unable to pinpoint accountability for SSA's slow progress in addressing the notice problem over the years. Officials we contacted from SSA's components said (1) they were only responsible for certain aspects of the problem, (2) they could not direct others to perform necessary activities, (3) the problem was someone else's fault, or (4) the problem was not important enough to warrant priority attention.

- The interface of SSA activities with those of other federal agencies posed other problems to which SSA's functional structure did not effectively respond. Specifically, for years SSA's field offices sought assistance in improving their liaison with HCFA relative to beneficiary problems with Medicare. (SSA accepts and processes applications for Medicare, maintains records of hospital and medical services, and conducts other related services.) When SSA's regions encountered such Medicare problems as program changes, contractor problems, or entitlement issues, they could not get satisfactory assistance because, before early 1986, no unit was responsible for addressing these problems.

SSA Executives Concerned About Coordination and Cooperation

SSA's organization structure was among the most pervasive management concerns identified during our review. Top officials and managers throughout the agency consistently expressed concern about SSA's structure and attributed many different problems to it. In all, 89 percent of SSA's senior executives we interviewed said that some organizational realignment was needed to improve management effectiveness, and about 40 percent said SSA needed just one deputy commissioner.

Many persons expressed concern about SSA's structure. Former Acting Commissioner McSteen said the structure impeded management efforts by diminishing program accountability, blurring staff/line relationships, and vesting responsibility for all agency activities in four coequal functional deputies. She also said fragmenting responsibility for developing program policy, preparing operating instructions, providing ADP support, and delivering services among the four functional deputies made program integration difficult. To improve decision making, she frequently found it better to meet only with the deputies directly affected by a decision. She said these meetings reduced the amount of extended discussions over decisions and helped to clarify line and staff relationships that had gotten blurred in the functional structure.

Mrs. McSteen said her initiatives to resolve several long-standing problems portray many of the management problems posed by the functional structure. She appointed project managers to implement her initiatives because, under the functional structure, no one had overall responsibility for the issues. With a project manager (deputy commissioners served as executive managers and SES personnel usually served as project directors), she created a focal point to implement the initiatives. Although she believes this approach was useful, she said it still had difficulties overcoming and fully resolving "turf problems."

Our interviews with 36 of SSA's senior executives showed that most had concerns similar to Commissioner McSteen's. With regard to SSA's functional structure,

- 69 percent said it adversely affects program accountability,
- 61 percent said it tends to generate conflicting signals among units,
- 75 percent said it delays decisions, and
- 53 percent said it blurs unit roles and responsibilities.

The functional organization structure also caused operating problems, the executives said, citing examples:

- It tended to slow decisions and obscure accountable units, according to several regional commissioners, caused delays in (1) addressing problems related to the continuing disability review process, (2) determining how to implement a nationwide outreach program for SSI, (3) preparing district offices for the installation of equipment as part of SSA's Claims Modernization Project, and (4) deciding whether to return responsibility for taking applications for social security numbers and examining related proofs of identity for welfare recipients from the states to the federal government.
- The functional structure caused problems in integrating various SSA activities, such as case control systems; addressing security concerns; preparing technical training for staff; preparing regulations; and complying with court orders.

Mid-Level Managers Concerned About Coordination and Cooperation

SSA's mid-level managers also expressed concern about the organizational structure. In our questionnaire, we listed 16 management and operational issues that could concern them. We asked them to (1) pick the three issues they would change given the opportunity and (2) indicate the priority they would assign to such changes.

Mid-level managers often placed SSA's organizational structure among the top issues where change was needed. Overall, of the 16 issues considered high-priority for change, organizational structure was the second most frequently identified issue by managers in headquarters, regional offices and PSCs, and OHA.

Responses of district and branch office managers differed noticeably from those of the other organizational units. Generally, district and branch managers expressed little concern for organizational problems, probably because field staff primarily look to the regional offices for guidance and assistance. Further, field operations (service delivery) are more established, set in patterns, and geographically dispersed, thus not as directly affected by organizational changes at headquarters. Headquarters, regional office, and service center managers, however, deal with the structure on a daily basis and are more likely to experience the frustrations caused by it.

Excessive layers of review and poor coordination, conflicting priorities, and poor communication among SSA units were also subjects of concern among mid-level managers who rated their experience with several kinds of organizational problems. Overall, 53 percent rated at least 1 of 10 potential organizational problems we listed as causing problems to either a great or a very great extent (see table 5.1). Once again, their responses were closely related to the concerns expressed by SSA's senior executives.

Table 5.1: Concerns of SSA Mid-Level Managers Surveyed About Potential Organizational Problems

	Degree of concern expressed (percent)	
Potential organizational problem	**Some**	**Great/very great**
Excessive layers of review	81	29
Poor coordination among SSA components	81	23
Conflicting priorities among SSA components	84	31
Poor communication among SSA components	81	22

Manager concerns about accountability, coordination, and slow decision making were based on situations that occurred daily. For example, in 1983 a federal court ordered SSA to reinstitute an accounting system for representative payees—people designated to receive and manage a beneficiary's payments—which it had suspended in June 1978 as a work-saving measure. The planning of the effort was disorganized, according to a unit involved with implementing the accounting system. The unit (1) received no instructions for processing the workload until after the work started arriving, (2) received information and instructions from at least 16 different organizational components involved in decisions regarding the workload, and (3) was unable to identify an accountable point to resolve confusion over instructions emerging from several different sources.

Studies Concerned About Effectiveness of Organizational Structure

In addition to managerial concerns, several studies were highly critical of SSA's headquarters organizational structure. A September 1983 Deloitte, Haskins and Sells study on SSA's problems and needs listed the functional structure as a high-priority problem. The study said the functional organization (1) limits SSA's top officials' ability to manage daily operations, (2) restricts decision making, (3) impedes development of an overall plan, and (4) does not establish clear accountability as to the respective roles of components in fulfilling SSA objectives. The study recommended realigning the agency along programmatic lines, delegating authority to the lowest possible level, and clearly defining long- and short-range organizational roles. Two other consultant reports prepared by former SSA senior executives in 1980 and 1984 also cited the need for organizational changes to enhance SSA's efficiency and planning for the future. One report included recommendations to reduce layering in SSA's field operations as well as the headquarters structure.

In 1985, SSA did its own internal study of its staff component operational contributions—commonly referred to as the contributions analysis. One issue raised related to organizational structure. The survey questioned whether the organizational structure and its layering of functions inhibited efficiency. It raised this concern because it found that in headquarters:

- On the average each component had only two to three components reporting to it at the next lower organization level.
- The supervisor/employee ratio was too low in some components.
- Growing numbers of staff had been added at high organization levels, outside the regular structure.
- Over 200 staff positions had deputies that created further review layers.

Several of SSA's senior executives commented to us about the cause of the organizational layering discussed in the contributions analysis. Two senior executives said that part of SSA's layering situation stems from previous reorganizations that did not fully achieve their objectives. For example, one objective of the 1979 reorganization was to reduce duplication of unnecessary positions. But rather than have a reduction in staff, SSA found other positions for those displaced by the reorganization. The net result was the creation of additional positions.

The contributions analysis also raised questions about the number of offices in SSA headquarters that perform possibly overlapping duties. For example, it noted that components under the deputy commissioner for programs and policy devoted staff time to assessment activities similar to those provided by the Office of Assessment, under the deputy commissioner for management and assessment: The Office of Policy devoted 9 positions to such matters as selecting valid samples, designing surveys and experiments, while the policy-writing components (SSI, RSI, and DI) devoted 22, 8, and about 50 positions to planning, studies and evaluations.

Causes of SSA's Organizational Problems

Two factors underlie SSA's organizational problems. First, functional structures are not well suited for managing such diverse missions and operations as SSA's. Second, SSA's functional structure lacked adequate mechanisms to effectively integrate its many activities.

Characteristics of Functional Structure Complicate SSA's Operations

Although a logical and time-proven organizational method, functional structures become less effective for organizations that have multiple locations or manage widely differing programs.[1] This occurs because accountability for an organization's end-line products/programs rests only with the top executive. As a result, effective operation of functional structures requires close coordination and cooperation among component functions to effectively integrate the organization's activities. Coordination, however, becomes more complex when organizations are geographically dispersed and cooperation more difficult to achieve when functional units must provide services to multiple programs as well as support to other agencies.

SSA operates about 1,400 field, regional, and headquarters offices throughout the country. Further, it administers several distinct programs, including the RSI, DI, SSI, and Black Lung programs. These programs also necessitate working relationships with other federal agencies such as, IRS, the Department of the Treasury, RRB, and HCFA.

Structure Did Not Effectively Integrate and Coordinate Activities

An additional characteristic of a functional structure is that it tends to deemphasize an organization's overall objectives. Because personnel and managers operate in specialized departments, they can have difficulty seeing operations as a whole, which makes coordination among them more difficult. As a result, a strong effort is needed to integrate activities in a functional organizational structure.

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[1] AMA Management Handbook, William K. Fallon, 2nd ed. (AMACON Special Projects Division, American Management Associations, 1983), pp. 41 and 42.

John A. Edds, Management Auditing Concepts and Practices, (Kendall/Hunt Publishing Co., 1984)

SSA's structure lacked effective integrating mechanisms and units to assist in getting the necessary coordination and cooperation. It did not provide the commissioner with a career general deputy who (1) had an organization-wide perspective and experience, (2) could share the burden of managing this large agency, and (3) could provide stability as changes in commissioners occur. It had no long- or short-term planning processes to articulate the organization's operational goals and define strategies to achieve them. The commissioner's office also lacked a designated group to help monitor and integrate the myriad of activities that constitute SSA. Only at the top—with the commissioner—was this broad perspective on delivering program services focused. All other officials, including the four deputy commissioners, managed functions under their jurisdiction.

In the absence of an effective integrating component, SSA's four deputy commissioners attempted to perform this role as well as manage their functional areas. As part of SSA's top management team, the deputies were asked to look at SSA as a whole so that their functional activities could be integrated in the agency's best interests.

That the integration efforts of the deputies were not fully effective was suggested by our interviews with SSA senior executives. For example, our interviews with SSA's senior executives did not have a specific question that asked how well the four deputies cooperated and coordinated with each other in carrying out their duties. Nevertheless, one-third commented that, among the deputies, there was a tendency to protect their turf that had hampered decision making.

SSA needs an effective mechanism for integrating and coordinating its many functions. The lack of an effective mechanism was particularly evident for activities that required agency-wide action. Examples include planning and budgeting, productivity improvement, information resources management, coordination with other agencies, and the notice problem. In these cases, each SSA component (the four deputies, OHA, and the Office of Disability) was left to come together—with varying degrees of success—without a sufficiently recognized focal point other than the commissioner or, in some cases, designated project directors.

Conclusions

Identifying management problems on the basis of structural and other causes is difficult. Many aspects, some more tangible than others, can be related to a given problem. For example, conflicts with individual personalities, weaknesses in management processes or systems, commissioner turnover, and the frequent or long-term acting status of commissioners can be important factors. Nevertheless, the many examples of problems identified, coupled with (1) the pervasiveness and intensity of concerns among SSA's senior executives and managers, (2) the general pitfalls associated with using a functional structure in large, complex organizations, and (3) the lack of effective mechanisms to integrate numerous functional activities, strongly suggest that SSA's current highly functional structure impedes rather than facilitates effective management.

Correcting organizational problems is not, however, a simple or short-term task. Reorganizations are disruptive to operations and personnel. They cause changes in roles, responsibilities, authorities, and reporting relationships. Before such changes are made, they should be carefully considered and then made with an eye to the organization's future goals.

Consequently, we believe SSA should proceed to address its organizational problems in phases. In the short term, it can take several actions to strengthen its ability to effectively manage its mission. First, it should establish a single general deputy or comparable position, preferably from the career service, to share the burden of agency management with the commissioner. The deputy position should be established regardless of what the Congress decides to do about the commissioner's term or independence for SSA. The deputy would assist the commissioner in managing the agency and provide continuity as commissioners change by being an experienced and well-positioned spokesperson to explain the bases and purposes of past decisions. The deputy's exact duties and responsibilities would depend on the relationship between that person and the commissioner. Second, SSA should maintain a small staff in the commissioner's office to perform central planning, monitoring, and integrating duties for agency-wide initiatives and to oversee coordination with other agencies, such as IRS. Neither of these changes should be excessively disruptive to current operations. Further, central planning relative to SSA's future operational methods and goals should be done before major organizational changes are made.

In the long term, more substantive organizational changes appear desirable. Although no organizational structure is perfect, we believe SSA would be better served by a structure that focuses more attention on the programs it administers. Such changes can be accomplished in many ways but should be made only after SSA decides how it will operate and provide services in the future.

As requested by Commissioner Hardy during our June 26, 1986, briefing, we present and discuss in appendix I five alternatives for addressing SSA's organizational problems. The alternatives share certain common features, such as establishment of a single deputy commissioner and high-level focal points for financial management and administrative activities. They vary, however, in their approaches to enhancing program accountability:

- Alternative A combines under one management point program policy development and assessment with operating components that deliver services.
- Alternative B depicts a divisional approach with separate management points for (1) program policy and assessment, (2) program delivery, and (3) central operations common to all programs.
- Alternative C combines under one management point program policy development and assessment with the Office of Systems to bring together program administration and ADP operations vital to effective management.
- Alternative D is similar to alternative A except that OHA is independent from program management and certain ADP support groups are placed under program management.
- Alternative E represents a structure that keeps the ADP function as a first-line management component rather than a subordinate service activity.

These alternatives are presented only as suggestions on ways to enhance program management and address the various problems discussed in this and other sections of our report. Other alternatives are possible and may represent more desirable arrangements.

Recommendations to the Commissioner

We recommend that the commissioner improve SSA's organizational structure so that it is better able to sustain efforts to address problems when confronted by the changing priorities and agendas of different commissioners. The commissioner should take the following short-term actions to improve accountability for SSA's programs and major initiatives:

- Establish a general deputy commissioner, or comparable position, preferably from the career service, to share responsibility for managing SSA's daily operations and to enhance stability during transitions in commissioners.
- Maintain a small central policy, planning, and management staff, reporting to the commissioner's office, to (1) facilitate agency-wide planning; (2) monitor and integrate component planning and activities; and (3) oversee performance of such agency-wide initiatives as improving productivity, issuing clear notices, improving information resource management, and modernizing SSA's operations. This staff should also facilitate effective coordination with other agencies.

For the longer term, the commissioner should consider the major changes needed in SSA's headquarters and field structure to best facilitate (1) making decisions and policy, (2) developing and implementing plans, (3) improving program and functional accountability, (4) reducing levels of review, and (5) establishing clearer delineation between line and staff.

Report Comments and Our Evaluation

SSA, former HHS Secretary Cohen, and former Commissioners Ball and Ross commented on our evaluation of SSA's organizational structure. Except for Mr. Ross, all generally agreed that SSA's structure was a significant issue but said they did not favor immediate and major organizational changes. In contrast, Mr. Ross believes we were overly emphasizing the issue and subjecting SSA's functional structure to inordinate criticism. However, Mr. Ross also said he agreed with our short-term recommendations to improve SSA's structure.

As discussed in the following sections, we believe our recommendations are in substantial agreement with SSA's and Messrs. Cohen's and Ball's comments because they give SSA sufficient flexibility to address organizational problems in due course. We also believe the report fairly recognizes the concerns of Mr. Ross. We found a number of his comments on the interrelationship of leadership, culture, and organizational structure to be constructive. In response to them, we have added material to address these concerns and improve the clarity of the report. These additions are contained in the preceding chapter on leadership because of their close relationship to that topic.

GAO Is Not Recommending Immediate and Extensive Reorganization

SSA and Messrs. Cohen and Ball commented on SSA's current organizational structure. SSA recognized that its critical role in the lives of so many individuals requires that the agency be well managed. However, it said that the extensive reorganization we suggested would not cure current management problems—at least not at this time. In particular, SSA said its extensive computer modernization effort was laying the foundation for faster and more efficient service in the future. Although recognizing and feeling an urgency to achieve a business-like operating environment, SSA believes it cannot do everything at once and continue to move forward. Therefore, it does not favor major structural changes at this time because they would detract from agency effectiveness, become a false priority, and represent an excuse for not dealing with more basic management and operational problems.

Mr. Cohen said that SSA's structure was a very important issue; however, he believed it is overstated in relation to the personnel needs in local offices. He also said he liked the idea of establishing a general career deputy commissioner because it would give the commissioner more time to be fully informed on the complex and controversial actuarial and financial aspects of social security.

Mr. Ball also said he very much liked the recommendation for an overall deputy commissioner. He said this would enhance leadership by letting a commissioner spend a great deal of time on broad policy and goal setting—activities that only a commissioner can perform in dealing with Congress and other levels of government, educating the public, and inspiring the work force.

Finally, Mr. Ross also agreed with many of our suggestions to improve SSA's structure. These included having a single deputy, a central planning committee, improved systems, and improved focus on financial management.

We believe the report is in full agreement with the thrust of these comments. The report breaks our recommendations into short- and long-term actions. In the short term, we recommend just three actions, which are designed to improve communication and coordination among SSA's components: (1) setting up a single deputy, whose focus would be the daily administration of SSA operations; (2) establishing a small staff in the commissioner's office to perform central planning, monitoring and integrating duties for agency-wide activities; and (3) establishing a controller position (see ch. 6). We recommend no other immediate organizational changes. We note that SSA has implemented at least a part of our short-term recommendations by establishing (1) an Office of Strategic Planning which reports to the commissioner and is tasked with several central planning functions and (2) an Office of the Chief Financial Officer which is currently being designed.

In the long term, we recommend more substantive organizational changes, but only after SSA has provided needed direction for its future. We believe it will probably be some time before such direction is provided and receives sufficient political support. Thus, we believe our recommendations are consistent with these views. In particular, the short-term recommendations are intended and were developed to be helpful rather than disruptive to established working relationships.

Report Is Consistent With Former Commissioner Ross's Concerns

Commissioner Ross said our evaluation of SSA's functional structure is subject to question. Basically, he said the report:

- Overly emphasized the structure issue by assuming that leadership and structure are alternatives to achieving better management. He said leadership and structure are interactive and we should make this interrelationship clear. He urged us to state that leadership is the top priority.
- Needs more balance on the structure issue. He said the programs are complex and interrelated, causing major problems that cut across all of them and calling for a functional approach. He added that all structures are to some extent hybrids.

In the executive summary, we reported that the structure has not helped to fill the vacuum in leadership. We did not say or mean to imply that leadership and structure are equal alternatives. Our point simply is that in the absence of effective leadership, an organization relies, at least in part, on its structure to continue carrying out its business. Our rationale underlying this point is that, while the structure itself cannot fill the leadership void, it can certainly either help or hinder operations.

We also believe that the report clearly stresses the need for leadership as a top priority. The report consists of five sections. The second section is concerned with the need for stronger and more stable leadership. Organizational structure is only one of several subissues discussed in this leadership section. Thus, we believe leadership is already clearly stated as a top priority.

Regarding Mr. Ross's point on program complexity, his comment embodies the foundation of our analysis. Specifically, if it is difficult to bring program activities together with senior career executives who are at organizational levels below the commissioner's office, the difficulty in bringing these same program activities together at the commissioner office level is compounded because the commissioner (1) has several complex programs rather than one to bring together and (2) likely lacks the long career experience of working daily with the details of the program. In essence, this arrangement is an adverse aspect of a functional structure: all final product accountability comes together only at the top. In an organization like SSA, such high level accountability places a difficult burden on the commissioner.

Regarding Mr. Ross's points on the benefits of a functional structure and the hybrid nature of all structures, we believe the report is consistent with his comments. The report recognizes that some operating problems cut across all program lines and these cannot be easily addressed in a program structure. That is why we concluded that, in the long term, SSA would be better served by a structure that places more rather than absolute emphasis on programs. In support of this conclusion, the alternative structures described in appendix I are all hybrid structures.

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Chapter 6

Improve Financial Management Accountability

In 1985, SSA made benefit payments totaling about $200 billion to 37 million beneficiaries and collected over 10 percent ($26.8 billion) of the annual receipts for the trust funds. The magnitude of these activities confers a special financial management responsibility on SSA to (1) emphasize proper acquisition and use of resources and (2) effectively manage and maintain integrity over social security funds. But financial management activities are fragmented throughout the organization and given a relatively low priority. As a result, SSA has many long-standing financial management problems.

SSA should establish a controller as a focal point in its management structure to provide the leadership needed to solve long-standing problems and to focus on financial management issues so that they receive prompt and appropriate attention. Further, the controller should work with the deputy commissioners to strengthen efforts to implement the Federal Managers' Financial Integrity Act (FIA) and begin working with the Board of Trustees for Social Security[1] for the preparation, issuance, and audit of a complete set of financial statements for the social security trust funds.

SSA Has a Complex Financial Management Environment

SSA programs are funded from three sources: (1) trust funds, (2) appropriated funds, and (3) income taxes paid on social security benefits. Two trust funds, maintained by the Treasury Department, support benefit payments under the RSI and DI programs. Responsibility for maintaining accounting records for the two trust funds is divided among SSA, IRS, and Treasury as follows:

- SSA computes, controls and accounts for benefit payments and disbursements made for its administrative expenses. In addition, SSA transfers trust funds to the RRB so that it can make joint RRB-social security benefit payments. In fiscal year 1985, SSA transferred about $2.4 billion to the RRB.
- IRS collects, controls, and accounts for payroll taxes from the private sector, which totaled $169.9 billion in fiscal year 1985 for the RSI and DI programs.

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[1] This board has five members. Three serve by virtue of their positions—the Secretaries of the Treasury, Labor, and HHS. Two public members also serve under provisions of the Social Security Amendments of 1983 (Public Law 98-21). The Secretary of the Treasury is designated as the managing trustee and the commissioner of social security is designated as the board's secretary. Section 201(C)(2) of the Social Security Act requires the board to report on the operations and status of the trust funds annually.

- Treasury maintains general ledger accounts based on information reported by IRS and SSA. It invests the difference between receipts and disbursements in Treasury securities.

Historically, in SSA, the term financial management has generally been used to refer to budgeting processes and systems. This narrow view of federal financial management inhibits SSA's ability to achieve the overall objective of financial management—to insure that financial resources are acquired and used lawfully, efficiently, and effectively to achieve organizational goals. In assessing how well SSA performed its financial management functions, we used a much broader concept of federal financial management promulgated by OMB in its March 1985 circular on financial management and accounting objectives. Under this concept, financial management consists of all systems—both manual and automated—that are used to collect, classify, analyze, and report data on financial transactions and resources and generate financial information in support of the agency's missions. Examples of components of SSA's financial management system under this broader concept include programmatic systems used to disburse social security and SSI benefit payments, debt management, cash management, SSA's administrative financial accounting systems, as well as budget formulation and execution systems. These systems are described in our Technical Summary Financial Management Profile of the Social Security Administration (AFMD-84-15-5, Aug. 10, 1984).

The nature, size, and complexity of SSA's operations impose a significant need for effective financial management that accelerates cash flow into the trust funds and minimizes cash outflow. To accomplish this, SSA needs effective, well-controlled financial management systems and practices that (1) make accurate and timely benefit payments, (2) collect overpayments, (3) maintain earnings records, (4) manage cash receipts, and (5) maximize the funds' interest income from investments in government securities. Under SSA's organizational structure, these financial management activities have not received the needed attention.

Fragmented Structure Diminishes Focus on Resolving Widespread Financial Management Problems

As discussed in chapter 5, SSA had organized itself around four major functional areas: programs and policy, systems, operations, and management and assessment, headed by coequal deputy commissioners. Each deputy was responsible for a portion of the processes used to make benefit payments and must compete in the SSA budgetary process for the resources necessary to make his or her portion of the process work effectively. Therefore, accountability and responsibility for financial management is fragmented across SSA's entire organizational structure. For example, responsibility for the proper authorization and entry of claims and post-entitlement data into programs systems rests with supervisors in SSA's 1,300 district and branch offices, the Office of Disability Operations, and 7 PSCs. These functional units report to SSA through their respective chains of command to the deputy commissioner for operations. On the other hand, responsibility for the policies used to carry out the authorization and data entry process are established by the deputy commissioner for programs and policy and the deputy commissioner for systems, the latter of whom also was responsible for SSA's automated processing activities.

Further, the deputies have subdivided their functional offices to support their benefit payment responsibilities. For example, the Office of Systems Requirements, one of the components under the deputy commissioner for systems, has 7 divisions with 14 branches working on functional organization duties, 12 divisions with 42 branches working on benefit payments processes and systems, and 3 groups working on programming requirements for SMP. Other deputy commissioners also have multiple organizational units involved.

SSA's financial management problems cover a wide range of benefit payment and debt collection activities. Further, they extend to specific financial management activities, such as cash and debt management as well as SSA's joint operational relationships with other organizations. Over time, the fragmented structure has led to financial management problems, made them difficult to identify, and hindered their resolution.

Weaknesses Exist in Benefit Payment Processes

Four major processes are required to make benefit payments: enumeration, earnings records maintenance, initial claims, and post-entitlement. These processes involve a complex set of automated and manual systems to account for, control, validate, and maintain massive amounts of data provided by beneficiaries and employers. SSA personnel use the data to determine eligibility and compute monthly benefit payments.

The four processes are highly dependent on accurate reporting of data by employers and beneficiaries, correct entry of these data into SSA's systems, timely processing by automated systems, and timely posting to master files. The processes also depend on the timely and accurate interchange of data with other organizations, such as Treasury, IRS, DDSs, and RRB.

For each of these processes, management has established numerous internal controls that are carried out by accounting systems in many different locations. There, however, is no single focal point at which it is determined whether the total set of controls for each process is effective. Moreover, the internal controls and accounting systems are inadequately documented, making it difficult for SSA management to focus on its total control environment. Recognizing this lack of focus, SSA's Office of Assessment has a project underway to develop more effective approaches to reviewing both SSA's programmatic benefit payment and administrative accounting systems. Similarly, SSA's Office of Systems recently undertook efforts to improve the documentation of automated systems.

Internal control weaknesses in SSA's earnings records and the initial claims and post-entitlement processes as well as the SSI payment system and SSA's debt collection activities are well documented in reports dating back to the 1970's by GAO, the HHS inspector general, SSA private contractors, and consultants. While SSA has corrected some of these weaknesses, it has reported that most will not be corrected until SMP is completed. As discussed in chapter 11, however, SMP has experienced numerous delays and is not scheduled to be completed until the 1990's.

Problems With Posting and Reconciling Earnings Records

One of SSA's most basic functions is to accumulate and maintain earnings records. SSA's data base contains about 300 million individual earnings records against which SSA processed about 200 million updating transactions in 1985. These earnings records are used primarily to determine social security entitlement and benefit amounts. SSA also uses information in this system to determine if beneficiaries who continue to work while receiving benefits comply with wage-reporting requirements.

SSA has no focal point for managing or resolving problems with the earnings records processes. Responsibility for these processes is fragmented across three deputy commissioners. As a result, SSA has had problems in posting the earnings of individuals to the proper accounts. Further, until January 1986, discrepancies in employer-reported wages made to SSA and IRS accumulated for 8 years before efforts were started to resolve them. These problems can cause SSA to under or overpay beneficiaries and require extra work to correct entitlement amounts. In a September 23, 1982, hearing before the House Subcommittee on Social Security, the commissioner recognized the size of the earnings-crediting problem but did not offer individuals much hope that unresolved earnings would be credited. The commissioner said:

"It is true that we are continuing to accumulate reports of earnings which we cannot post to persons' accounts at the present time. We have over $88 billion in earnings which are not posted to people's accounts. We have a project designed to reduce that amount and to get those earnings posted to accounts, but the fact of the matter is that too often the only way a person can be sure his earnings have been posted accurately is for that individual to check once every 3 years. . ."

The same problems exist today. As of August 1985, SSA had about 162 million wage items it could not post to individual earnings records. In recent years, the number of wage items that could not be posted to individual wage records ranged from 5 to 6 million per year, or about 2.5 percent of the individual items received.

SSA also has been slow to resolve discrepancies in wage earnings reported separately to it and IRS. SSA has never reconciled wage data on W-2's it receives from employers with data reported to IRS in employer payroll tax returns. Available information shows that during the years 1978-83, employers have filed with IRS about 3.5 million payroll tax returns that appear to be missing from, or to substantially disagree with, SSA records. SSA has just begun pilot projects to determine the causes for the differences and estimates that it may take as many as 2,500 work-years to correct the discrepancies for the years 1978-83 alone. Additional errors have likely occurred in 1984 and 1985 and will continue to occur unless SSA identifies and corrects the cause of the differences. SSA has budgeted a total of only 860 work-years in fiscal years 1986-88 to begin efforts to reconcile about 1 million of the 3.5 million employer reports and will have to budget additional work-years in the future if the reconciliation is to be completed.

In July 1982, we disapproved the design of the Earnings Records System because control weaknesses in the design of the system that have been reported by GAO and the HHS inspector general still need to be corrected.

SSA has made some progress in correcting deficiencies in its Earnings Records System. For example, it can now post workers annual earnings in about 7 months, versus the 29 months it took to post the 1979 earnings. While SSA is addressing the system's remaining problems, the Office of Systems has stated that solutions will not come quickly or easily. The remaining problems are complex, stemming in part from control weaknesses in the ADP system and in part from erroneous reporting by employers and individuals.

Internal Control Problems With Initial Claims, Post-Entitlement and SSI Payments

RSI and DI payments are processed by a system with 28 automated subsystems. In fiscal year 1985, the system generated monthly benefit payments to 36.8 million beneficiaries. SSA has no focal point for managing or resolving problems with these payment processes because responsibility for them is fragmented across numerous organizational components under four deputy commissioners.

In 1983, a private contractor reviewed the initial claims and post-entitlement portions of the system and found weaknesses in both manual and automated internal controls. Based in part on an analysis of GAO and inspector general reports dating back to the mid 1970's, the contractor concluded that controls (1) were not sufficiently documented, (2) did not ensure that only authorized transactions are entered into the automated systems and that those entered have been processed, and (3) did not ensure that all automated output is produced and distributed.

Also, internal control weaknesses precluded adequate assurance that benefits paid under title II of the Social Security Act were proper in all cases, as we pointed out in 1984.[2] Specific weaknesses included the following:

- Automated controls could be manually overridden.
- Computer program changes were not fully tested and their impact on systems operations was unknown.
- Inadequate methods for entering data into the computer were used resulting in erroneous postings.
- Error inputs identified by computer edits were not adequately controlled and sometimes reentered into the computer without correction.
- Computer edit checks could be overridden and unedited data could be input into the automated files.

Similar problems exist with the SSI benefit payment systems, which disburse about $10 billion each year in benefit payments. In our August 1984 financial management profile, we summarized past weaknesses in the SSI systems and pointed out that internal controls appeared inadequate. Specifically, we said that

- manual and computer overrides of application verification steps caused erroneous information to be processed and resulted in erroneous benefit payments and

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[2] Technical Summary Financial Management Profile of the Social Security Administration (GAO/AFMD-84-15-5, Aug. 10, 1984).

- incomplete verification of payments for individuals receiving SSI as well as RSI or DI benefits caused SSI benefit overpayments.

In August 1985, the acting deputy commissioner for management and assessment issued a report which also highlighted similar problems and the need to improve SSI controls.

Weaknesses in Debt Management Systems

Each of SSA's benefit payment systems uses different debt management systems and procedures. The systems have many manual processes and do not perform many necessary accounting functions. The lack of sound management systems for collecting and preventing debt has resulted in substantial overpayments as well as weaknesses in accountability for and untimely recoveries of government funds. Between fiscal years 1979 and 1985, SSA detected about $11 billion in overpayments. Despite this, SSA's organizational structure has not provided a focal point for debt management. As a result, efforts to correct problems in this area have been both fragmented and slow.

Over the years, SSA has attempted to improve the debt management of its programs. In the early 1970's, it established a recovery of overpayment accounting and reporting system for the RSI and DI system. Although useful, this system remains limited in scope. For example, while it maintains automated information to account for overpayments, it lacks an effective automated funds recovery mechanism (which includes billing, follow-up, and inquiry capabilities). Similarly, overpayment recovery mechanisms supporting the SSI and Black Lung programs remain largely manual processes.

In March 1981, SSA expanded efforts to deal with its fragmented approach to debt management. It established a project to establish uniform policies, procedures, and practices for debt collection. The project attempted to identify and document the functional specifications for a national debt management system for SSA. Once the specifications were developed, the project team had only a monitoring role, leaving SSA with no single focal point for actively managing SSA debt collection and prevention efforts.

The debt management project did, however, provide short-term relief for SSA's debt collection problems by implementing an automated interim billing and follow-up system for RSI and DI as well as the SSI system in August 1984. The interim system provided monthly billings, improved remittance processing, and supported follow-up activities for delinquent debts. But the system still does not meet SSA's total debt collection needs. It cannot control changes in account status, post activities to financial ledgers, age debt, issue automated overpayment notices for the SSI program, and provide statistical information needed by managers to evaluate recovery efforts.

While SSA has made some progress in improving its debt collection systems, it has been slow to focus on improving debt prevention. SSA overpayments are costly. With respect to the $2 billion of overpayments in 1984, SSA's Office of Management and Assessment estimated that (1) $650 million[3] would be written off as uncollectible in future years, (2) $250 million in annual interest would be lost, and (3) $230 million would be spent on collection efforts. Therefore, in effect, SSA will recover only $870 million—about 44 cents on the dollar of all overpayments made in 1984.

SSA has only recently undertaken efforts to prevent overpayments. It has made efforts to clarify reporting requirements. In addition, it has started sending questionnaires to selected groups of beneficiaries to identify individuals likely to have changes in circumstances that could result in decreases in monthly benefit amounts. By encouraging beneficiaries to estimate and report earnings in the year they are earned, SSA was able to reduce earnings-related overpayments in 1985 by about $300 million from 1984 levels. Finally, SSA has taken or plans to take additional preventive actions. For example, it

- is developing a check-intercept process which will stop the delivery of an estimated 282,000 incorrect checks per year in fiscal year 1988,
- has prepared a legislative package to strengthen and expand its penalty authority to encourage timely reporting, and
- has developed specific objectives to increase debt prevention and detection as part of Commissioner Hardy's new tracking system.

While these are positive steps, other problems still need to be overcome. SSA should determine that the actions underway to develop SMP subsystems will address such problems as (1) duplicate postings of earning records and (2) untimely processing of terminations. Where SMP is not addressing these weaknesses or is not scheduled to address them soon, SSA should determine if alternative cost-effective controls can be established.

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[3] SSA's estimate is based on historical percentages of past write-offs of overpayments.

Further, SSA should determine if additional cost-effective action can be taken to: (1) provide clearer communication of reporting requirements to beneficiaries who are not likely to report, (2) develop periodic questionnaires addressed to additional groups of beneficiaries who are likely to have changed circumstances that they have not reported, and (3) establish goals to reduce overpayments.

Insufficient Attention to Cash Management

SSA's organizational structure does not provide a focal point for cash management. As a result, SSA cash management improvement actions have been slow and reactionary to Treasury and OMB government-wide initiatives and/or inspector general audit reports. Moreover, to address cash management problems, SSA has used project managers who lack the organizational stature necessary to resolve identified problems promptly.

In fiscal year 1985, SSA collected and deposited about $26.8 billion in the social security trust funds and Treasury's general revenue accounts. SSA has a number of opportunities to improve its cash management practices, such as (1) adopting incentives for speeding up supplemental SSI payments from states and (2) making better use of lock boxes to accelerate other cash receipts.

Encouraging Acceleration of SSI Supplements

Cash management improvements are possible in the SSI program, but progress has been slow. Under federal/state administrative agreements, SSA makes payments to beneficiaries on behalf of 26 states that supplement federal SSI benefits. These agreements require that states (1) estimate the amount of the supplemental payments and (2) compensate SSA for them on or before the date benefits are paid. The agreements, however, have no provision for interest or penalty in the event of late payment. While most states comply with these requirements, some have not.

An inspector general's February 1984 draft report recommended that SSA charge states interest on late payments to the SSI program for their state supplements to the federal benefit level. SSA disagreed, questioning whether it would be cost effective and being concerned that it would strain this unique federal/state partnership.

In light of SSA's comments, the inspector general reevaluated his recommendation and concluded the proposal was indeed cost effective. Further, he noted that there is no incentive for states to make timely SSI supplemental payments and that the interest for late deposits is merely a deterrent and should not adversely affect federal/state relations. SSA continues to disagree on the basis that it is not cost effective. We agree with the inspector general's position on this.

Lockboxes Can Accelerate Cash Receipts

In August 1980, OMB, reporting on its cash management project, pointed out that the federal government could save substantial sums by streamlining the way it collects, processes, and deposits its receipts. One recommended improvement was to establish a "lockbox procedure." SSA efforts to use lockboxes in its cash receipts operations have been slow, in part because of the lack of a focal point for cash management.

A lockbox is a postal rental box serviced by a commercial bank. Agency debtors mail payments to the lockbox; the payments are picked up by the bank and are quickly processed so the funds get transferred to Treasury's Federal Reserve account on the same day payment was received at the lockbox. After processing the payment, the bank transmits accounting documents to an agency so that it can post accounts receivable, assess late fees, and prepare accounting statements. Lockbox systems achieve savings by (1) accelerating the availability of cash for agency use or investment purposes and (2) potentially reducing personnel by shifting the agency's function to the bank.

SSA did not begin efforts to establish a lockbox until, as part of the Reform 88 Cash Management Project in November 1982, OMB and the Treasury Department initiated an interdepartmental audit of SSA's collection and deposit practices. Based on this effort, it was determined that substantial savings could be realized by SSA using lockboxes.

To implement the lockbox process, SSA had to first complete improvements in its billing and collection process. This was done in 1984, and SSA began work on the lockbox process in 1985. SSA recently validated the software for it and in September 1986 began to operate the lockbox system on a pilot basis. Implementation of the process SSA-wide was scheduled for November 1986 but has been delayed because the participating bank has problems with its software for the lockbox process. SSA advised us that the new implementation date for the lockbox system is March 1987.

No Focal Point for Joint Financial Management Activities

In carrying out its responsibilities, SSA performs many processes and procedures jointly with RRB, state DDSs, Treasury, and IRS. Responsibility for these joint activities is also fragmented across SSA. Under SSA's structure, problems are taking years to identify and correct. Following are examples of problems for which SSA needs to complete corrective actions to establish effective control over funds it transfers to RRB and state DDSs.

In 1951 legislation was enacted creating a special relationship with the social security program to make payments to retired railroad workers who receive both railroad retirement and social security benefits.[4] Between 1958 and 1985, $27 billion in social security funds have been transferred to the railroad retirement program—and RRB estimates an additional $42 billion in transfers through the year 2000. In two other GAO reports published in April 1983 and February 1986,[5] we identified control problems, such as lack of audit and failure to reconcile discrepancies between RRB and SSA records. These problems resulted in inaccurate fund transfers and incorrect payments to thousands of beneficiaries over a number of years. With respect to incorrect payments, officials at each agency blame their counterparts in the other agency for limited action. In June 1986, SSA and RRB negotiation teams developed 37 recommendations designed to improve the fund transfer process in the future. However, the agreement did not address the correction of past discrepancies.

The inspector general also reported on SSA management of and accounting controls over benefit data and funds transferred to RRB. As early as 1980, he found a large backlog of unreconciled discrepancies and recommended that SSA (1) work with RRB to resolve payment discrepancies, (2) establish a monitoring system, and (3) study causes of discrepancies in the SSA payment system. Although SSA developed a monitoring system and improved criteria for identifying and reconciling discrepancies, our February 1986 report showed that the discrepancy backlog has increased since the 1980 report.

SSA also works closely with state DDSs, which make disability eligibility decisions. Since 1981, SSA has been trying to establish effective control over funds it transfers to state DDSs to pay for states' costs of administering the disability portions of the social security and SSI programs.

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[4] The nature and extent of SSA's financial involvement with RRB is described in our report, Railroad Retirement—Federal Financial Involvement (GAO/HRD-86-88, May 9, 1986).

[5] GAO/HRD-83-2 and GAO/HRD-86-3.

States are reimbursed for the full cost of making disability determinations by SSA from social security trust funds and SSI appropriations and have received $2.5 billion for these costs for fiscal years 1981 through 1985.

SSA has been slow to act to gain control over DDS operating costs. In June 1981, SSA announced its intention to establish standards for costs of operating the DDSs. However, it did not begin efforts to develop the system for this purpose until September 1982. Development efforts on the system were completed in December 1985, but SSA expects that it will take 3 to 5 more years before it is fully automated and implemented. When fully implemented, the Cost Effectiveness Measurement System is expected to give SSA a more effective means of (1) properly allocating funds, (2) streamlining the budgeting process, and (3) performing oversight of the state operating costs for DDSs.

Strengthen Efforts to Implement the Financial Integrity Act

SSA has not yet effectively implemented the FIA—a government-wide initiative to improve federal financial management. To date, its efforts have focused on assessing how well field offices comply with established administrative and program procedures, but have neither considered the adequacy of established control procedures nor sufficiently tested ADP controls and accounting systems.

Better Internal Control Evaluation Needed

During the first 3 years of implementing FIA, SSA's internal control evaluations were generally limited to determining whether field offices were in compliance with established procedures. Little attention was given to evaluating the adequacy of existing internal control procedures or determining whether additional controls were needed to ensure that benefit payments are accurate.

Several factors contribute to this situation. First, the designated internal control officer lacks the organizational stature needed to implement the act effectively because he is located two layers below the deputy commissioner. Second, SSA's functional organization requires extensive coordination and cooperation to carry out agency internal control initiatives.

Adequate consideration of FIA matters is particularly important in SSA, which has begun a major modernization of its ADP systems. SSA needs to coordinate its FIA review and redesign efforts so that

- completed segments of redesigned systems are evaluated to determine whether they correct known internal control problems and operate in conformance with the Comptroller General's requirements,
- all material weaknesses discovered through redesign efforts are reported as part of the year-end FIA report, and
- current FIA efforts to correct weaknesses focus on problems that will not be dealt with by new systems designs in the near future.

Testing of ADP Controls and Accounting Systems Inadequate

Although SSA depends heavily on ADP for its operations, it has not adequately evaluated its ADP controls and has relied on its ADP security program established in response to OMB Circular A-71. This circular, which focuses on physical security controls, does not include evaluations of controls related to specific computer applications. Further, the security program reviews do not adequately document the work performed to test ADP controls. Likewise, SSA has not adequately tested its accounting systems to determine if they are operating in accordance with established policies and procedures.

In view of the long history of weak controls in SSA's automated benefit payment processes and accounting systems, adequate testing is essential to determine whether internal controls and accounting systems are operating as designed and in accordance with established policies and procedures. Testing requires an initial investment of agency resources. Once a system has been adequately tested and the results documented, however, fewer resources should be required to reevaluate the system in the future. Through adequate testing,[6] agency managers should know whether their internal control and accounting systems are in place and operating as intended.

Audited Financial Statements Could Benefit Social Security Trust Funds

A complete set of financial statements for the social security trust funds is not prepared and issued by federal officials responsible for managing them. The preparation, audit and issuance of such statements could provide more comprehensive financial information on the status of the trust funds.

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[6] Detailed procedures for testing system operations are presented in GAO's CARE Audit Methodology to Review and Evaluate Agency Accounting and Financial Management Systems, which was issued in July 1985. While the methodology focuses on evaluating the operations of agency accounting and financial management systems, it can be applied to testing internal control systems and nonfinancial operations.

Existing Information Inadequate

Financial statements for the trust funds, now published by the Social Security Board of Trustees and Treasury, are based in large part on unaudited data generated by SSA's accounting systems, many of which are in poor condition. For example, financial data on accounts receivable resulting from overpayments is generated by accounting systems that do not perform such necessary accounting functions as maintaining general ledgers, preparing trial balance reports, and utilizing suspense files. Without these functions, SSA cannot rely on the accuracy of overpayment data.

Financial Statement Audits Would Focus Attention on Resolving Problems

Periodic audits of a complete set of annual financial statements prepared in accordance with the Comptroller General's principles and standards would be an important step toward building and maintaining effective financial control over the social security programs. Over time, audited financial statements can help improve the

- public reporting of and confidence in the results of the government's stewardship of SSA's benefit programs,
- management information for SSA officials, and
- organizational discipline necessary to develop and maintain adequate systems of internal control and program accounting.

Further, financial audits could reveal and focus attention on financial management problems affecting the trust funds, such as the absence of adequate controls over benefit payment processes. Periodic disclosure of such weaknesses in reports and footnotes to annual trust fund financial statements could help focus attention on these problems and foster the organizational discipline to correct them.

For example, SSA wrote off as uncollectible a total of $1 billion of its overpayment receivables in fiscal years 1983, 1984, and 1985—a major increase over the average write-off of $40 million in previous years. SSA officials told us the increase resulted from a major effort to "clean up" receivable accounts by writing off those too old and costly to collect. Audited financial statements would require that information on the increase in write-offs be disclosed and would provide users a better basis upon which to evaluate these trust fund activities.

Conclusions

SSA's financial management problems are complex and long-standing, and they adversely affect program operations. SSA's fragmented organizational structure and the absence of a high-level focal point for financial management activities has hindered progress in resolving many of the problems. In our opinion, corrective actions will require timely and focused efforts that involve dealing with manual and automated systems as well as interaction with organizations both inside and outside SSA.

The establishment of a focal point for financial management—namely a controller or comparable official reporting to the commissioner—would provide the continuing leadership needed in SSA's top management structure to help resolve financial management problems. Additionally, it would increase the likelihood that future financial management issues would receive prompt and sufficient attention. As a focal point for financial management, the controller could be charged with supervising and coordinating the wide variety of SSA financial management activities and preparing the annual SSA financial reports and statements. Although officials in SSA's Office of Financial Resources, responsible for compiling and formulating annual budget presentations, have made budget policy and allocation decisions in the past, we do not believe such decisions should rest with the controller. Generally these activities are outside of the controllership function. However, we do believe that responsibility for objectively formulating budget presentations, monitoring budget execution, and providing useful reports to SSA management should be within the purview of the controller.

While a controller can provide the needed focal point for SSA financial management activities, SSA's management commitment and disciplined efforts will be needed to make lasting improvements in financial management. We believe that improved efforts to implement FIA and joint efforts with other federal entities to prepare and audit a complete set of annual financial statements are two important steps that should be taken.

Recommendations to the Commissioner

We recommend that the commissioner

- establish a controller or comparable position to consolidate and enhance the importance of financial management at SSA,
- require SSA's deputy commissioners to work with the controller to improve SSA's financial management systems and to perform FIA reviews of SSA benefit payment processes,

- direct the controller to work together with the Social Security Board of Trustees to develop an auditable set of financial statements for social security programs, and
- work with HHS's inspector general and Treasury to arrange for an independent audit of the financial statements.

Need for a More Formal and Structured Decision Process

SSA has lacked a formal structured decision-making process to require or assure that (1) adequate analyses of options are performed, (2) the views of knowledgeable or affected persons are considered, (3) pertinent issues are identified and surfaced to the appropriate level in the organization, and (4) program policies are developed and comply with federal regulations. As a result, SSA has made decisions without sufficiently considering alternatives or risks and involving or informing affected officials and is vulnerable to making poor future decisions.

Historical View of SSA's Decision-Making Processes

For many years, SSA had a formal structured decision-making process that provided extensive guidance and criteria for decisions or actions that required the involvement of the commissioner and the top executive staff. The process detailed the types of issues that had to be submitted to the commissioner to facilitate complete staff discussion and consideration. These issues included

- any new rule, regulation, policy, or a revision or interpretation involving a substantial change in policy;
- all notices of proposed rulemaking, regulations, and related matters to be published in the Federal Register;
- changes in policy or procedure that would have a major impact on the allocation of resources;
- proposed policies, procedures, or actions that significantly affected the rights of claimants and beneficiaries to SSA benefits and services;
- proposed significant SSA personnel policies and organizational changes;
- proposed planning documents affecting agency direction and/or significant resources, such as major systems planning; and
- opening or closing of field offices.

Detailed instructions were also provided on how to develop the decision memorandum. Little judgment was allowed those preparing the decision memorandum as to what information to include and the memorandum's level of detail.

Between 1979 and 1983, SSA's structure for decision making had eroded to the point where important decisions were made informally or by various officials throughout the organization without documented analyses or review by higher level officials. Commissioner turnover, reorganizations, and the amount of time and paperwork required contributed to this erosion.

In December 1983, Acting Commissioner Martha A. McSteen reactivated a more structured process. Under this process, any issue that required the commissioner's personal decision and involved other components had to be submitted using the Commissioner's Decision Memorandum, which had a preferred format. This memorandum usually was to include a statement of the issues, facts pertinent to the problem, a discussion of the various options for dealing with the problem, the advantages and disadvantages of each option, and a recommendation. The memorandum also stated that each office could use its own judgment as to which matters require the use of this preferred format. Despite former Acting Commissioner McSteen's December 1983 memorandum, SSA still relied heavily on an informal decision-making process through her tenure.

Shortcomings in SSA's Decision-Making Process

An effective decision-making process requires data on issue or problem diagnosis, alternative solutions along with criteria to judge among the alternatives, and a recommended course of action. In addition, a forum should be provided for full staff discussion and consideration of the issue or problem by knowledgeable and affected staff and a mechanism established to formally communicate the decision. Specific criteria should also be provided for what decisions must involve the commissioner and executive staff. When significant decisions on SSA's computer systems are involved, the views of independent technical experts should be obtained to determine that alternatives and risks have been appropriately considered.

Our analysis of SSA's decision-making process suggests it has served neither the commissioner nor the agency well. It did not provide sufficient assurance that key decisions were sound, economical, or in accordance with the best interests of SSA's values and objectives. More specifically, it permitted important decisions to be made without (1) involving or informing key knowledgeable or affected officials or (2) performing adequate analysis of alternatives, risks, or costs and benefits.

SSA's poor or inadequate decision-making process was one of the most pervasive management concerns identified in our review. In all, 78 percent of SSA's senior executives, as well as former Acting Commissioner McSteen, believed that improvements were needed. Mid-level managers also expressed strong concerns about decision making. Out of 16 management issues in our questionnaire, mid-level managers in both headquarters and the field consistently selected the need to improve the clarity, timeliness, and appropriateness of policies and decisions as one of the top priorities for change. The following represents concerns expressed by SSA's senior executives we interviewed:

- Decisions are not documented.
- Affected individuals are not informed in a timely manner.
- Key staff lack involvement in major issues.
- Too many decisions are made by those lower in the organization who should not make them.
- Opposing views and candid discussion are not invited or encouraged.
- A systematic process does not exist to surface issues.
- Alternatives are not discussed or documented.

Key Officials Not Involved in or Informed of Decisions

Except for legislative and regulatory proposals or changes that had to be sent to the commissioner, SSA lacked criteria or guidance for what decisions had to be made through the formal process reactivated in December 1983. It was a matter of judgment as to what issues required the commissioner's involvement and thus use of the formal process. Also, the December 1983 memorandum lacked criteria on who (e.g., deputy, associate, or regional commissioners) could make other types of policy decisions below the commissioner's level. SSA's formal delegations of authority in the policy area do not clarify this issue, although such delegations are rather specific in administrative areas.

Sometimes, officials have committed SSA to a policy position or course of action without involvement or sufficient review by the commissioner or top management. For example, without involving top management, the SSA Chicago Regional Office in 1980 and 1981 issued two policy directives to clarify headquarters policy concerning evaluation of the degree of mental impairments necessary for disability program eligibility. A federal court found these directives to be void because they were (1) in violation of federal law and regulations and had never been properly published in the Federal Register, and (2) contrary to SSA headquarters policy. Among other things, the court mandated that SSA put all those mentally impaired who were terminated in the Chicago region back into payment status. Former Commissioner Svahn, on January 3, 1983, notified all regional commissioners, that effective immediately, all program policy was to be issued only at the national level. However, several SSA officials said this policy was not effective, was not uniformly implemented, and was later changed by former Acting Commissioner McSteen.

SSA does have a review and approval process covering the issuance of policies, instructions, or clarifying interpretations by its components. Due to the large volume of such issuances, however, and the need perceived by component managers to issue supplemental instructions to their staffs so they can process work, it is difficult for SSA to review and approve them before they go into effect. (See p. 123.)

As another example, in March 1984 HHS, in response to an OMB request, asked SSA for estimates on staff-year savings that would result from SSA's claims modernization effort. Later in 1984, SSA's Office of Systems gave HHS data—which later went to OMB—on estimated staff year and cost savings from claims modernization and computer equipment upgrades at PSCs in connection with proposed procurements.

The Office of Systems estimated that, starting in the late 1980's, SSA would save $80 million annually through claims modernization and $22 million annually through the PSC equipment upgrades. Although these estimates were cleared through the commissioner, other components—which would be most affected by the staff reductions—were not involved in the process of estimating the savings that would be achieved from claims modernization. There had been considerable disagreement on the issue. Furthermore, SSA's Office of Financial Resources, which is responsible for preparing the budget, was neither involved in the process of estimating the savings nor informed of the estimates at the time they were made and given to HHS and OMB. From the information available, it appears that SSA's inability to reach agreement and respond to requests from HHS and OMB for staff-year savings and the resulting estimates from the Office of Systems contributed to SSA's being in an essentially reactive position to OMB's call for a 17,000 staff reduction.

Insufficient Analysis of Alternatives and Risks

SSA has made several key decisions without sufficient justification or adequate analysis of alternatives and risks. We discuss one of these, its decision to acquire nonprogrammable computer terminals for its field office processing functions, below. Additional examples of problematic decisions are discussed in chapter 11.

Despite an earlier study demonstrating the advantages of programmable over nonprogrammable computer terminals and a plan to acquire them as part of SMP, in 1983 SSA changed its plans and decided to purchase nonprogrammable terminals for claims modernization. This decision was made without (1) sufficient documentation to justify the change, (2) a cost/benefit analysis, (3) adequate consideration of alternatives, and (4) the involvement of others in the organization who would have to use the equipment and were dependent upon automation to improve or maintain quality public service. It also appears to have been made without obtaining the views of independent experts.

Previous SSA analyses and our work have shown that programmable terminals have several advantages that SSA should have considered. These include the ability to (1) record, tabulate, and analyze workload data, much of which is done manually in field offices; (2) reduce telecommunications costs due to the ability to store data locally and transmit it in batches rather than "on-line"; (3) program terminals locally to perform complex calculations not on SSA's national system; and (4) achieve savings by not having to manually rekey data lost or distorted between the field offices and SSA's main computers. A major disadvantage of programmable terminals, however, is that they present greater security risks. But no analysis of this risk or possible ways to deal with it was done in conjunction with the 1983 decision, officials said.

The decision to purchase the nonprogrammable terminals for claims modernization was made, according to SSA officials, by former Commissioner Svahn and the former deputy commissioner for systems without detailed analyses or discussions of advantages and disadvantages with key SSA officials who would be affected by the decision. One key senior executive, for example, said he was not aware of the decision to change terminal types until after it had been made, even though he was significantly affected by it. Furthermore, in January 1985, the HHS inspector general reported on a situation in which the decision to switch from programmable to nonprogrammable terminals had not been communicated to all those affected. The inspector general found that some SSA personnel were preparing requirements for claims modernization on the basis set forth in SSA's 1982 SMP, which called for local processing with programmable terminals, because they had not been informed of the change to central processing.

In addition to the extra effort caused by the poor communication of this decision, SSA could be losing opportunities to improve operating efficiency. For example, in 1980 SSA estimated that it could save 1,123 work-years annually beginning in fiscal year 1984 by using programmable terminals in its field offices to automate just 4 of 10 applications proposed at that time.[1] Whether SSA made a reasonable decision, however, is not known because alternatives and risks were not analyzed.

This is not the only example of SSA's not fully justifying a terminal acquisition. For example, in 1981, SSA's justification for the acquisition of over 1,800 Paradyne terminals was not based on specific types or volumes of workloads that the terminals would have to process or the timing and turnaround restrictions for a given workload. This contributed, in part, to SSA acquiring a data communications system that did not begin to consistently meet contractual performance requirements until nearly 2 years after the first terminals were installed.

More Formal Decision Process Reinstituted by Commissioner Hardy

In June 1986, Commissioner Dorcas Hardy issued instructions specifying the types of actions or decisions she expected to approve or review. She also adopted a preferred format for decision memorandums. Information to be presented to the commissioner includes the issue, pertinent facts, all available options with pros and cons of each, and recommendations. Our review focused on SSA's decision process used before Commissioner Hardy's arrival. Therefore, we are not in a position to discuss the process in effect after she took office.

Conclusions

SSA needed a more structured decision-making process. Its unstructured process (1) allowed decisions to be made without appropriate input of knowledgeable and affected parties or adequate analysis of alternatives, (2) allowed resources to be needlessly expended due to poor communication, and (3) failed to document the rationale of major decisions so that future decisions involving major changes in direction could be made with a historical perspective. Furthermore, there may be some cases in which it would be helpful to make a well-documented analysis and rationale available to affected managers or employees so they can better understand the need for or desirability of change. This might help alleviate their concerns (see pp. 107 and 200) about the extent to which SSA management considers human factors during change and managers' concerns about the lack of a clear sense of direction. Although a formal process could tend to slow down decision making, we believe it can also reduce the risks of making poor decisions.

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[1] Solving Social Security's Computer Problems: Comprehensive Corrective Action Plan and Better Management Needed (HRD-82-19, Dec. 10, 1981).

Recommendation to the Commissioner

In addition to recommendations we are making on p. 157 concerning ADP-related decisions, we recommend that the commissioner maintain for significant decisions a formal and structured decision-making process that sets forth (1) who can make what decisions; (2) the documentation that must be prepared, including analyses of alternatives and risks; (3) how and when the views of knowledgeable or affected employees and outside independent experts should be obtained; and (4) how decisions should be communicated to employees who need to know.

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Better Define and Communicate Agency Direction

SSA's lack of strong, stable leadership has contributed to the agency's problems in providing uniform policies for the public and direction for its employees. SSA lacked (1) a system for central long- or short-term operational planning, (2) a process for preparing an administrative budget that is sufficiently linked to plans and policies and that appropriately determines resource needs and allocations, and (3) effective processes for developing program regulations and operating instructions. These are problems that SSA has addressed over the years but remain unresolved. Short legislative lead times to implement program changes have also hindered SSA.

As a result, SSA has not always been able to provide uniform or appropriate services to its clients. Further, SSA has not provided clear direction to its managers or employees on its operational goals and objectives, how it wants to do business in the future, and its resource needs. This, in turn, has resulted in the lack of an operational blueprint to guide its computer system modernization and staff reduction efforts and insufficient integration of related activities planned or carried out by its components.

Commissioner Dorcas Hardy agreed that SSA needs to better define and communicate its purpose and activities to the public, the Congress, HHS, and its employees. In this regard, she has acted to better direct agency activities. She established a central planning function and initiated efforts to develop an agency-wide, long-term operational plan. She implemented a system for short-term operational planning and tracking with specific objectives, activities, and time frames. She also agreed that the processes for policy formulation, regulations, and program instructions need to be streamlined. In this regard, the Office of Policy will oversee efforts to establish a central clearance process and to improve the quality of its notices to the public.

The Congress can facilitate SSA's efforts by providing sufficient lead time to implement legislative program changes that require regulations, operating instructions, and computer system modifications.

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Direction Hindered by Lack of Central Planning System

SSA lacked a central agency-wide operational planning process for developing long- or short-range plans. As a result, SSA's components did not have a good sense of overall agency direction because existing planning efforts have been narrow in scope and did not effectively integrate related activities. This created problems in implementing major initiatives, such as SMP and the 17,000 staff cut, and in addressing problems.

In addition, without a long-term planning process, SSA has not been in a good position to adequately prepare for its future. As discussed on page 25, SSA can expect long-term substantial increases in its beneficiary population and decreases in the number of workers paying into the trust funds, resulting in a decreased ratio of the funds available to operate its programs compared to the costs of the programs. It can also expect changes in the composition of its beneficiary population, which may prefer to do business with SSA differently than existing beneficiaries, partly as a result of changing technology. SSA needs a systematic process for identifying and considering likely changes in its environment and for planning how it will address them.

Several factors have inhibited SSA's efforts to develop a planning process. These include (1) the frequent changes in leadership, (2) component reluctance to accept central planning direction, and (3) management's continuing concern about the public and the political repercussions of formally articulating its plans.

Most of SSA's senior and mid-level managers believe that a long-range operational plan would be beneficial to SSA as a whole and would have a positive effect on component operations. During our June 26, 1986, briefing for Commissioner Hardy, we stressed the need for and importance of an agency-wide planning process. She agreed, saying this was consistent with the observations she made while preparing to assume her new position. In September 1986, she established a central planning function.

Planning—A Tool for Directing Agency Activities

Planning is the process of surfacing issues, formulating goals and objectives, considering alternative strategies for achieving them, selecting and laying out a course of action, and integrating activities of different units. Operational planning is beneficial at all agency levels; however, it is critically important at the central level to set overall agency direction and facilitate a cohesive, unified approach for setting priorities, allocating resources, and providing support services. A central operational planning process should (1) produce an agency-wide, long-range operational plan that outlines the agency's major long-range goals and objectives over a 3- to 5-year period together with the policies and strategies for accomplishing them and (2) detail how the agency will implement the long-range plan over a 1- or 2-year period.

SSA's Planning Efforts Provide Insufficient Central Direction

SSA's components carry out a variety of planning efforts related to special initiatives, short-term component operations, and regulations and legislation. These efforts are generally narrow in scope, however, and do not effectively integrate related efforts among components. As a result, they do not (1) provide a clear sense of direction for guiding SSA's future operations, (2) identify emerging problems in SSA, and (3) allow it to initiate change smoothly and avoid crisis situations. Consequently, SSA has assumed a reactive posture toward outside influences and sometimes has addressed program changes in an uncoordinated or inefficient manner.

Recent Planning Efforts Narrow in Scope

Former Acting Commissioner Martha A. McSteen stated that long-term planning during her tenure was accomplished by establishing SSA's values and identifying objectives to be addressed over a multiyear period through special initiatives. Accountability was established for these initiatives by including them in the SES contracts of the deputy commissioners. For the most part, however, these initiatives focused on solving specific operational problems. As such, they did not constitute a statement of SSA's long-term objectives.

The other major planning efforts in SSA included development of component operating plans and other single-purpose plans. Component operating plans range from formal written plans, such as the Office of Systems' 5-year modernization plan or annual ADP plans, to informal nonwritten plans, such as those provided verbally by the deputy commissioner for programs and policy to his subcomponents. Single-purpose plans relate to regulations and implementation of legislation. Regulations planning is an annual effort under Executive Orders 12291 and 12498, designed to reduce regulation burden and duplication. Legislative implementation planning refers to all activities and projects required to implement specific legislation. In the case of major legislation for which implementation activities will cross component lines, a project management team is established to serve as a single point of responsibility and control to coordinate the actions of all the components.

Insufficient Integration of Component Activities

Largely due to the lack of an agency-wide operational planning process, no one in SSA has been effectively assembling total computer support needs, determining the most appropriate and efficient way to meet these needs, or integrating the separate efforts of different components. Consequently, various individual efforts are planned or underway by SSA components to improve operations through the acquisition of computer equipment, software, and related telecommunications for (1) modernizing claims processing; (2) training; (3) management information, word processing, and administrative functions; and (4) state DDS activities.

In addition, SSA is considering automating its operating instructions manual, which could require additional computer support. Although SSA's goal was to have a fully integrated system, it lacked fully developed mechanisms—such as an agency-wide operational plan or an integrating staff—to achieve that goal. According to senior SSA officials, without the ability to integrate component plans, SSA runs the risk that the computer hardware and telecommunications may be duplicative and the system may result in inefficient processing.

SSA already has encountered some difficulty in developing plans for enhanced office automation because there is no agency-wide plan that details the agency's overall automation needs. The Office of Disability has been trying since the fall of 1985 to get a delegation of procurement authority to get the computer resources necessary to convert, at HHS's request, the operation of the Cost Effectiveness Measurement System for state DDSS from a private contractor to an in-house system. But such delegation has been delayed because SSA has not yet been able to satisfy HHS's request for information on the relationship of this system to its ADP modernization plan. SSA prepared a Cost Effectiveness Measurement System/Systems Modernization integration plan and released it to HHS on September 9, 1986. SSA is now awaiting HHS's response.

Problems Resulting From the Lack of a Planning Process

As a result of the lack of an agency-wide operational planning system, SSA has experienced several problems. These include (1) the lack of an operational blueprint to guide its computer modernization, (2) difficulties in implementing the 17,000 staff reduction imposed by OMB, and (3) no systematic way to surface operational issues.

No Operational Plan to Guide SMP

Without a long-range operational plan, the Office of Systems had to base its development of SMP on assumptions about future service delivery goals and methods of operations. Systems assumed there would be no major changes in operations and, according to SSA officials, has been preparing functional requirements for the new system at a general level. Systems did this because it lacked information on specific workloads, desired processing times, service quality or locations, and the interrelationships among the various elements of the system and the integration of those elements into an overall system. This type of information directly affects the type of ADP technology needed for the new computer system, the design of the software for transaction processing, the organization of the data bases and file structure, and the type of communication system needed to support data transmission.

The importance of preparing functional requirements based on specific operational workloads and performance expectations can best be illustrated by problems SSA experienced in the early 1980's with its contract with the Paradyne Corporation to install over 1,800 terminals in its field offices. As we reported in July 1984 (GAO/IMTEC-84-15), SSA's expression of its requirements in general rather than specific terms contributed to the acquisition of a data communications system that did not begin consistently meeting SSA's performance requirements until nearly 2 years after the first terminals were installed.

If SSA should decide to change service delivery methods or expectations, such as issuing social security cards upon application or moving to totally computerized processing with no paper files or folders, it would have to change SMP's design. This possibility, as well as the possible lack of common assumptions among various groups working on SMP about future operations, could result in the expenditure of funds on unsatisfactory systems improvements. Such improvements might not meet future needs, could limit SSA's future service delivery options, or might result in a new system in which all elements did not sufficiently interrelate. If the various parts of SMP are not adequately integrated, inefficient, error-prone processing could result.

Difficulties Implementing 17,000 Staff Reduction

In October 1983 executive branch hearings before OMB on SSA's fiscal year 1985 budget, SSA was asked to assess the effect of SMP on SSA's staff over the next 5 years. OMB believed that systems modernization could yield large staff reductions, perhaps starting as early as fiscal year 1986. But because SSA lacked an integrated plan, it was unable to provide an agency-wide response, according to former Acting Commissioner McSteen. OMB later imposed what appears to be an arbitrary staff cut of 17,000 on SSA, to be achieved by the end of fiscal year 1990. Because it had no agency-wide, long-range plan, SSA lacked both an argument against and a blueprint for implementing the staff reduction.

In an attempt to develop a master plan for implementing the staff reduction, SSA in December 1984 asked its components to submit plans on how they would implement the staff reduction. These plans were to be consolidated into an agency-wide plan. But the components responded that they could not do so because top management still needed to make major decisions affecting future resource needs. Decisions needed to be made on such issues as service delivery goals, the configuration of field offices, the future role of the PSCS, and SSA's future service delivery methodology.

A long-range plan could have been the tool for focusing top management's attention on these major issues for decisions. Instead, SSA has been accomplishing the staff cut year by year through various unrelated processes and initiatives, such as attrition, the redistribution of workloads, and annual productivity improvements, which are then reflected in each year's budget.

In June 1985, the deputy commissioner for operations began developing an operational plan to provide information he believed necessary for decision making on the staff reduction. This effort, completed in late 1985 and reported to SSA's executive staff on January 9, 1986, was to be the basis for developing an agency-wide, long-range plan. But HHS curtailed development of the plan before it was completed. In the absence of a comprehensive work-force plan, the deputy commissioner believed that attrition would result in staff imbalances and inefficient operations in many SSA locations. Our review has shown that imbalances have already begun to appear. (See p. 177.) Commissioner Hardy has initiated efforts to develop a staff reduction plan to better balance staffing and workloads and to address these problems.

No Systematic Way to Surface Operational Issues

Without a central planning process, SSA lacked a top management focus on surfacing operational issues. We believe this has contributed to the continuation of several problems, including unclear notices to the public, unclear operating instructions to its staff, inadequate management information, little emphasis on operational efficiency, and the many problems that have surrounded SSA's DI program over the last several years.

Partly because of this absence of central planning, SSA has been largely reactive to external events, including congressional pressure to (1) establish service delivery goals and objectives for DDSS, (2) periodically review the continuing eligibility of disabled beneficiaries, and (3) improve program management. Courts also have played a substantial role in defining how the disability program should operate. Both programs and policy and operations officials told us that a long-range planning process would have given SSA a greater opportunity to surface and address program issues internally and to chart more systematically the future shape of the DI program, making it less vulnerable to change from external sources.

According to one operations senior executive, several operational aspects of the disability program, such as case development procedures, have needed to be examined for some time. One reason they have not is the lack of a systematic process for surfacing such issues. The official said that the strategic planning effort started by operations in June 1985 provided a good vehicle for raising these kinds of issues and should be continued.

Long-Range Planning Hindered by Several Factors

Although for years SSA has recognized the need for planning and on occasion attempted to establish an agency-wide planning process, two factors have primarily inhibited progress: frequent change in SSA's leadership and the lack of a priority for planning. Since 1974, GAO, OMB, and other organizations have recommended that SSA institute long-range planning, primarily to serve as the basis for planning and setting priorities for needed computer systems improvements.

Need for Long-Range Plan Recognized by Many

The need for a comprehensive long-range plan has been recognized by SSA and others over the past decade. On numerous occasions since 1975, SSA attempted to institute a long-range strategic plan, primarily to guide ADP systems development, but also to provide a basis for addressing current problems. For example, in discussing the need for a long-range plan in 1981, SSA stated that without it, the agency was evolving rather than progressing into the future, problems that resulted in crisis situations were becoming more frequent, and the organization seemed to be unresponsive to management direction. Some recommendations that have been made for establishing a long-range plan include the following:

- Since 1974, GAO recommended on four occasions that SSA establish long-range goals and objectives to serve as the basis for its ADP systems design efforts.
- In 1981, OMB and GSA stated in testimony before the Subcommittee on Legislation and National Security of the House Committee on Government Operations that SSA needed a long-range plan to guide its ADP systems development activities. OMB testified that SSA's failure to develop a long-range plan was probably the most significant contribution to SSA's systems problems. GSA testified that SSA's past long-range planning had been separated from its short-term efforts, and as a result, current efforts to solve problems were not matched to SSA's long-term goals and objectives.
- In 1983, the Grace Commission called it imperative that SSA develop an agency-wide, long-range plan to lay out the agency's objectives to guide SSA's systems efforts. Also, in 1983, Deloitte, Haskins and Sells, under a contract to study SSA's systems problems and to develop ideas for future automation, reported that the agency needed to develop, implement, and publicize an agency-wide plan. Lacking such a plan, it said, SSA had been operating without a clear statement of goals and objectives, limiting its management to reacting to change.
- In 1984, the Congressional Panel on Social Security Organization, in studying whether SSA should be an independent federal agency, recommended that SSA develop a long-range planning system. The panel believed such a system would give SSA the data needed to measure its progress in meeting its goals, and that the lack of such a system had been a deficiency in SSA's management for the last decade. The panel added that ADP planning should be incorporated as an integral part of the agency-wide planning process.

Several Factors Contribute to Lack of Agency-Wide Planning

SSA's efforts to establish long-range planning were either redirected or abandoned as changes in leadership occurred. For example, in 1975, SSA established an advanced systems organization, reporting directly to the commissioner, to develop a comprehensive plan for guiding ADP development as well as to design and develop a new computer system employing the latest technology. This effort was abandoned following an SSA-wide reorganization in 1979 as a result of a change in commissioners. Following the reorganization, the Office of Advanced Systems became a component of the Office of Systems, and thus, no organization within SSA was specifically responsible for long-range planning.

In 1982, newly appointed Commissioner John Svahn curtailed an ongoing initiative to develop a long-term planning process and delayed establishing one until he could examine SSA's planning activities to either reaffirm or modify them where necessary. However, he left before establishing a comprehensive long-range planning process.

Various components have been reluctant to go along with a central planning function as long as it is administered by the Office of Management, Budget and Personnel, which is organizationally responsible for such planning. This reluctance seems to be based on the perception that too much power would rest with that office in directing SSA's activities through a planning system. Also, we were told by former Acting Commissioner McSteen that SSA has been reluctant to formally plan its activities because anytime it decides on an operational change, it offends some politically powerful group, such as employees, the Congress, or the administration. Then actions are taken to block SSA's move. As a result, SSA's management chose to keep its plans unstated and informal.

SSA Employees Believe a Plan Is Needed

Ninety-two percent of SSA's senior executives stated that a long-range plan is needed or desirable. Furthermore, 56 percent of the executives said that SSA lacks a clear sense of direction regarding such factors as its service delivery approach, its ADP systems configuration, and/or the types and number of personnel needed to perform operations 5 to 10 years in the future.

For example, some senior executives we interviewed highlighted benefits to be derived from long-range planning. They said an agency-wide, long-range plan would help to

- clarify component roles in achieving agency objectives,
- address the effect of external factors on operations,
- reduce crisis management, and
- establish SSA-wide priorities, thereby reducing the number of conflicting priorities among components.

In addition, many middle managers who responded to our questionnaire believed that SSA's existing planning activities did not give their units a sense of direction and guidance for the future. As shown below, many middle managers believed that planning activities did not provide adequate information on how the following factors would affect their units' operations:

- Improvements in manual processes (38 percent).
- Potential legislative changes (35 percent).

- Future service delivery options (40 percent).
- Number and types of future staff needs (31 percent).
- Types of work procedures (33 percent).

Middle managers also said that a formal, agency-wide, long-range plan would have a positive effect on the following aspects of their units' operations:

- Crisis management would be reduced (50 percent).
- Future operations knowledge would improve (84 percent).
- Morale would improve (64 percent).
- Recruiting efforts would improve (63 percent).
- Training would improve (76 percent).
- Their staffing allocation level would be more appropriate (64 percent).
- Accountability for operations would increase (57 percent).
- Relations among organizations would improve (50 percent).

More than 20 percent of SSA's employees and more than one-third of its mid-level managers who indicated low morale for their units attributed this, at least in part, to uncertainty as to the future of their unit or the future of their job. A formal, agency-wide planning process could help reduce employees' uncertainty, thereby possibly improving morale.

Commissioner Hardy Has Established a New Planning Process

Commissioner Hardy is organizing a small executive planning staff. It is headed by an SES-level director, who reports directly to the commissioner and is responsible for establishing and implementing a framework for the effective long- and short-range planning of all of SSA's projects, activities, and resource management, in accordance with applicable law and regulation. The staff—eventually 11 people—will coordinate, develop, and publish SSA's plans, subject to approval by the commissioner, and ensure that each component's planning and operational needs are appropriately integrated and reflected in the agency-level planning and decision-making processes. As of February 19, 1987, this planning unit had eight staff members in addition to a director.

Conclusions

Although many SSA staff have long recognized the need for planning, for many years SSA has not had a formal, comprehensive operational planning system that would provide needed guidance and direction for current and future operations. As a result, it has found itself in a reactive rather than a proactive position to external influences and not adequately preparing for the future. Neither managers nor employees have a clear sense of direction to guide operations or serve as a basis for planning and setting priorities on major SSA initiatives, including its systems modernization effort.

In our opinion, SSA cannot afford to operate without the clear sense of direction that a good operational planning system can provide. Therefore, we support Commissioner Hardy's efforts to establish an executive planning staff and a central planning process. These efforts should help SSA prepare for the future. To fully realize the benefits of these efforts, SSA needs to (1) involve political and public groups in determining future service delivery methods, (2) hold managers accountable for implementing the plan, and (3) sustain the planning process.

Recommendations to the Commissioner

We recommend that the commissioner

- develop and implement agency-wide, long- and short-term operational plans;
- consult with HHS, OMB, congressional committees, states, client groups, and others as to how SSA should do business in the future as part of the process of formulating a long-term plan; and
- use the plan to guide policy, budget, and ADP systems decisions and hold managers accountable for adhering to it.

Recommendation to the Congress

To help sustain the planning process established by Commissioner Hardy and to encourage SSA to follow the long-term plan developed, we recommend that appropriate congressional committees hold periodic hearings on the status of the process and the plan. The committees and SSA should try to agree on the thrust of the long-term plan and the actions and support needed to achieve it. Such agreement would help focus subsequent oversight on progress, problems and their causes, and substantial changes to the plans.

Limited Use of Budget to Direct and Control Operations

SSA's budget estimates have not been as accurate as possible, have not provided a good basis for allocating resources, and have not been sufficiently helpful in controlling operations by providing a good basis against which to compare actual performance. This is because SSA components have not always provided their budget office with adequate and timely input, and operating staff budgets have been based on the actual time it takes to complete tasks rather than the time it should take. These conditions have existed largely because top management has not fully supported or effectively used the budget process as a management tool. To maximize SSA's efficiency, this process must work well.

SSA's Budget Process

The budget provides a systematic process through which (1) management can articulate its plans, policies, and priorities; (2) components can articulate what resources they believe will be needed to implement plans; and (3) management can control operations by periodically comparing planned and actual expenditures and making adjustments.

SSA's budget has two parts: (1) program benefit payments and (2) the administrative costs of paying benefits. In this chapter, we deal with SSA's administrative budget. For fiscal year 1987, the administrative part of SSA's budget accounts for about $4 billion of SSA's total annual expenditures of $230 billion. About 48 percent of the $4 billion represents funds for SSA's line operating staff, who account for about 90 percent of total staff. The other 52 percent includes funds for (1) support staff in SSA's headquarters and regional offices, (2) state DDS operations, and (3) services and equipment.

The Office of Financial Resources (OFR) bases SSA's budget on input from components, as follows:

- The operating staff portion of the budget is based on the time estimated to handle the projected workloads for each operating component. To calculate the estimate, SSA first determines the actual time required to process existing workloads for the most recently completed year. This time is then adjusted to reflect anticipated changes in complexity of the workload as well as expected improvements in operations, and to attempt to correct prior year workload and staff imbalances. Using projected workloads and adjusted time, SSA then develops the operating staff budget. (OFR follows the same basic process for computing needs for state DDS operations.)
- The process used to develop the support staff budget has varied over the years. Generally, components submit justifications in response to OFR

instructions. In the past, OFR usually instructed components to justify any changes in their support staff needs from their current allocation. Since fiscal year 1985, however, SSA has tried to reduce support staff by the end of fiscal year 1990, as part of the 17,000 staff reduction. Because of this, OFR reduced all support staff by 2.5 percent in fiscal year 1985 without requesting justifications from components. For fiscal year 1986, OFR notified SSA components in advance that their staff would be reduced and asked them to demonstrate how they would meet the reductions.

- For the remaining items in their administrative budget, such as special expenses, consultant services, research, training, space, telephone, and construction, SSA components generally submit budget requests for OFR's review. OFR judges these submissions to arrive at the appropriate level of funding for final decision by the commissioner.

Budget Process Needs More Structure and Discipline

SSA's administrative budget process lacks sufficient structure and discipline to make it an effective tool for determining funding priorities and for providing direction to components. It has several deficiencies that undermine its effectiveness and will require greater management support to address:

1. Until May 1986, SSA had no permanent, formal budget instructions describing the information needed, who should submit it, and when it was due. Instead, each year OFR issued new and different budget instructions as circumstances or commissioners changed.

2. The budget process has operated without a clear sense of SSA's future goals and objectives. SSA has not had a central planning process to systematically surface issues and set forth agency-wide plans for dealing with them. In addition, management has not always informed components of the policies to be pursued during the budget period.

These conditions often left OFR and components with little insight into SSA's future direction upon which to base their budget requests and contributed to an undisciplined budget process, as the following examples illustrate.

- In early 1986, OFR had to prepare its fiscal year 1988 budget without central policy or planning guidance from SSA's top management on its plans or policies for staff reductions or other major issues. Consequently, OFR—without top management or component input—had to identify the significant issues having budget implications, such as whether SSA should eliminate certain workloads or modify certain operating procedures.

- In 1985, OFR did not receive the requested budget submissions from the project managers in charge of the commissioner's initiatives on the impact of automation and on effectively managing the disability program. Submissions from the project managers on several other of the commissioner's initiatives were also not specific enough to determine the effect they would have on SSA-wide resource needs. Therefore, OFR had to identify and develop information from alternative sources—such as the ADP plan or the state DDS budget—and then make additional assumptions about these projects to estimate their effect on SSA's budget.
- In May 1984, the Office of Systems had not submitted its request for fiscal year 1986 ADP-related expenses on time. As a result, OFR did not know what level of resources Systems needed. OFR notified Systems that, if it did not submit the information, it would have to request $192.1 million, the same as the previous year. Because OFR did not receive the requested data, SSA's budget justification stated that the estimates might have to be changed; subsequently, SSA's request for ADP-related expenses was lowered to $160.6 million and $139.6 million at the HHS and OMB levels, respectively.
- Until 1986, SSA's Office of Systems' planning cycle was not completed before SSA had to submit its budget to HHS. As a result, because OFR lacked complete data from the Office of Systems, it made its own assumptions about the effect of systems improvements on operating staff needs. This left SSA with some doubt that its budget request for operating staff to HHS was reasonable and reliable.

Since November 1984, OFR has tried to develop a more structured budget process and to improve the quality and timeliness of the information it receives from SSA components. For example, OFR has taken steps to improve its access to information on proposed systems changes identified during the ADP planning process so as to incorporate these changes into SSA's budget in a timely manner. OFR has also tried to establish formal budget requirements for SSA components to follow. These efforts have not been totally successful because, according to OFR, it lacks authority over other SSA components and thus is not in a position to require them to comply with its information requests. Further, it did not have top management's support in getting components to cooperate.

In the past three years, OFR has taken steps to establish formal budget requirements. In 1984, the director of OFR and the acting deputy commissioner for management and assessment had a requirement in their SES contracts to develop a budget schedule that (1) established due dates for products required of SSA deputy commissioners, (2) allowed enough time for commissioner decisions, and (3) enabled SSA to meet the demands of the government-wide budget cycle. The budget schedule was to be completed in time to be implemented at the start of the fiscal year 1987 budget cycle (Dec. 1984). Additional objectives of this project, as described in a November 1, 1984, proposal were:

- To develop a budget that was driven by the commissioner's goals, objectives, and projects.
- To build the budget on existing processes, and to make those processes serve both planning and budget needs, thus conserving staff resources. Specific goals were to link the budget schedule, as much as possible, to the ADP planning process and to develop a budget that reflected operational policy, legislative, and regulatory changes.
- To develop a schedule that allowed enough time to obtain key decisions from SSA executive staff so that the budget request effectively represented SSA needs, as seen by SSA executives, not SSA's budget staff.
- To develop a budget schedule that allows components to participate in developing budget estimates as much as possible.

The proposal outlined the information expected from each deputy commissioner and the due dates. It recognized that components had to coordinate their activities to develop an accurate, complete budget request. But for a number of reasons, the proposal did not significantly improve the quality or timeliness of the information it received, according to OFR.

First, the acting commissioner did not implement the proposal before the fiscal year 1987 budget cycle began. Although the proposal called for information to be submitted to OFR in January and February 1985, the acting commissioner issued no budget instructions until March 5, 1985, and these only described the detailed information needed by OFR on each of the commissioner's initiatives. The instructions did not address the proposal's broader objectives.

Second, according to OFR, it received no better quality or more timely information on the commissioner's initiatives in response to the commissioner's instructions. OFR did not receive the requested information on two of the commissioner's initiatives (managing the impact of automation and effectively managing a national disability program), and the information received on some other initiatives was not specific enough to allow OFR to estimate their effect on SSA's resource needs.

In November 1985, OFR issued a draft guide that described the types of information required for budget development. This guide constituted OFR's budget directions for developing the fiscal year 1988 budget. The guide described the information required from SSA components and the date due. Issued in final form in May 1986, it constitutes SSA's permanent instructions on budget development. These instructions are one in a series of instructions being issued by OFR on different aspects of budgeting. It is part of SSA's administrative system and components are supposed to comply with these instructions. Despite this guidance, however, the Offices of Disability and Systems still did not meet the 1986 deadlines for submitting information on state DDSs and on ADP-related expenses needed to develop SSA's fiscal year 1988 budget request to HHS.

We recognize OFR's efforts to develop a more permanent and structured budget process, but believe that these new instructions can be strengthened by more fully addressing the broader objectives of the November 1, 1984, proposal. Although the November 1984 proposal attempted to link planning and budgeting, the May 1986 instructions do not require that SSA's budget be linked to any agency planning process. Further, although the November 1984 proposal established specific dates for components to provide OFR information on proposed changes in operations to be included in SSA's budget, the May 1986 instructions do not establish such time frames. Without specific time frames, OFR has had to prepare budgets in the past without needed planning guidance and timely adequate information on proposed changes in operations.

Improvements Needed in Method Used to Compute Operating Staff Needs

Another budgeting problem relates to the method SSA uses to compute field operating staff needs. To reliably determine these staff needs, SSA should have information about the volume of future workloads and the amount of time it will take to complete them. SSA's work volume estimates are based on actuarial and statistical projections, which we do not question. But, we do have questions concerning how SSA estimates the time needed to complete work and the budget estimates that result.

As discussed in the preceding section, OFR has trouble receiving complete and timely information from components on changes in operations that affect the time needed to complete work. Also, SSA has not established standards or expectations for the time it should take field components to complete work. Because standards or expectations are not used, SSA does not know whether the resulting budget estimates represent the amount of time it should take field components to complete work.

In our August 1986 report[1] on the development of SSA's budget for field office operating staff, we compared SSA's actual budget estimates for fiscal years 1979 through 1984 with our estimates of what SSA's staff needs would have been had SSA based these estimates on the time it should have taken to complete workloads. Using fiscal year 1979 as our base period, we calculated that in 1984, SSA's estimated staff-year needs exceeded our estimate by more than 2,500 staff-years. The report recognized the difference in staff-year estimates may not be indicative of overstaffing because we did not conduct an engineered study to determine what the unit times should have been and we do not know the appropriateness of SSA's fiscal year 1979 estimates. The report demonstrated, however, that by not using a standard—either an engineered standard or one that reflects the performance of its better performing field offices—SSA's staff year budget is based largely on the time it does take rather than the time it should take to process workloads.

We recommended that SSA develop engineered time standards on a pilot basis to determine the feasibility and cost effectiveness of using such standards on a wider basis. In response to our report, HHS was opposed to establishing engineered standards at that time, and as of February 1987, SSA had not established such standards. We have found that large variances in efficiency among SSA's field offices and PSCs still exist (see p. 175). As a result, SSA's budget may include funds for inefficient operations.

Conclusions

SSA's budget office has made diligent efforts to prepare good budgets. Its efforts, however, have been frustrated by the lack of (1) sufficient cooperation from some SSA components, (2) support from top management to have an effective and efficient budget process based on its policies and plans, and (3) use of standards or expectations to determine operating staff needs. Consequently, SSA's budget process has driven policy and planning rather than the other way around. To correct these problems, SSA needs a more structured budget process. It should be based on predetermined policies and plans as well as performance standards or expectations and have a greater degree of top management support.

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[1] Need to Improve Unit Times for Estimating Field Office Staff Budgets (GAO/GGD-86-90, Aug. 6, 1986).

Recommendations to the Commissioner

We recommend that the commissioner take the following actions to improve budget development in SSA:

- Expand on the May 1986 permanent agency-wide annual budget instructions covering all components in SSA to adhere to the objectives set forth in the November 1984 proposal submitted by the acting deputy commissioner for management and assessment.
- Hold managers accountable for adherence to budget policy and requirements.
- Establish standards for the amount of time SSA should take to complete its various workloads and use those standards in developing SSA's budget for operating staff. These standards could be based on engineering studies or on actual times required by better performing offices to do the work. Any adjustments to the standards should be based on careful study reflecting the appropriate time needed to implement operational changes.

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Chapter 10

Policy Formulation and Implementation Hindered by Several Factors

To implement legislation, SSA must prepare policies and regulations, develop ADP systems specifications, develop and test its computer system, and put out operating instructions to field offices. But often SSA is unable to implement legislated program changes promptly and effectively. This stems from (1) the complexity and slowness of the regulatory development process, (2) problems in developing and communicating operating instructions before regulations are completed, and (3) ADP limitations. Each of these problems, in turn, is partly attributable to short lead times in legislation. These difficulties have impaired SSA's ability to provide its employees and others operational direction and support and to fulfill its mission to provide the public with timely and accurate benefit payments as well as other services.

Slow Regulatory Development and Approval Process

Beneficiaries, courts, administrative law judges, lawyers, and public interest groups rely on regulations as their prime source of information about SSA's policies. SSA has a history of issuing implementing regulations after the effective dates required by laws. Much of the difficulty stems from the complexity of the regulation development process and the issues themselves, short effective dates in law, and the internal SSA clearance process. Actions taken by SSA to speed up the internal process for issuing regulations have been of limited help.

Regulations Not Timely

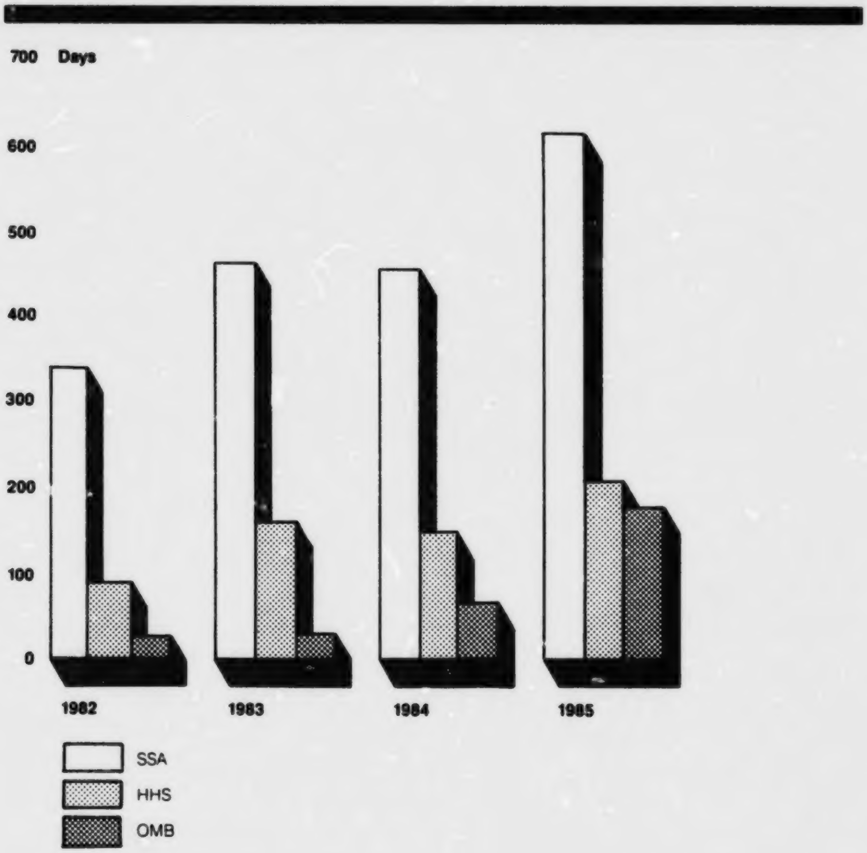
Very few regulations implementing major legislative changes enacted from 1980 to 1984 were published by their effective dates, either as notices of proposed rulemaking or as final regulations, as table 10.1 shows. This stems in part from short effective dates that do not provide sufficient time to complete the requirements of the rulemaking process. (See p. 126 for discussion of short effective dates.)

Table 10.1: Regulations Issued by Effective Dates

Public Law (enactment date)	Number of provisions requiring a regulation	Proposed regulations issued by effective date	Final regulations issued by effective date
96-265 (June 1980)	17	1	0
97-35 (Aug. 1981)	12	4	1
97-248 (Sept. 1982)	5	0	0
98-21 (Apr. 1983)	34	2	1
98-460 (Oct. 1984)	12	0	0

According to its data, SSA's ability to develop and publish regulations in a timely manner has been decreasing rather than improving. The increase in average times to process regulations through SSA, OMB, and HHS between 1982 and 1985 is shown in figure 10.1.[1]

Figure 10.1: Days Needed to Process Regulations (Issued From 1982-85)



SSA Has Little Control Over Regulatory Development Process

The process required to issue regulations is time consuming. In some instances, research must first be done to better understand complex issues. For example, in revising regulations for determining individuals' eligibility for benefits due to mental impairments, SSA worked with outside groups—experts from professional associations, advocacy groups, and state agencies—so that the latest findings in diagnosis, evaluation, and treatment would be reflected. Once the regulation is prepared, a notice of proposed rulemaking is issued for a 45-to-60-day public comment period. Analysis of comments often takes considerable time due to the volume of comments received and varying positions taken. For example, after SSA published the proposed mental impairment regulations in February 1985, over 2,000 comments were received from over 1,000 different sources. It took SSA until August 1985 to respond to these public comments and publish the final regulations. Also, if the first public comments result in substantive changes to the proposed regulations, a second notice of proposed rulemaking must be published for public comment. Finally, all proposed regulations must be approved by HHS and OMB before publication in the Federal Register. If either HHS or OMB requires additional information, each step of the clearance process has to be repeated if the regulation is substantively changed.

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[1] The average processing times for SSA include the time for regulations that were delayed intentionally. This happens when the enactment of pending legislation could substantially change the regulations, the relationship of one regulation to another is such that the sequence of publication is important, and the necessary ADP systems changes cannot be made in time to implement the regulation.

SSA's Internal Clearance Process Slows Regulation Development

While external factors slow the process, SSA's internal process also contributes to late issuance. Many of SSA's organizational components as well as HHS's Office of General Counsel are involved in the regulation clearance process. This is due to (1) the complexity of the law, (2) the relationships both among SSA's programs and between SSA's programs and other federal programs, and (3) the functional organizational structure in which no one SSA component has complete responsibility for a program. According to SSA's 1984 analysis of the time to process 10 regulations, the average times to complete two major steps in the approval process were as follows:

- 52 weeks from the time drafting began to the completion of level 1 review (which typically included at least 3 reviews by HHS's Office of General Counsel and multiple reviews by other offices).
- 6 weeks for completion of level 2 clearances (approvals at the associate commissioner level and the authorizing component and by HHS's Office of General Counsel).

To further compound the delays, often there are 50 to 60 regulations in process at any given time. When multiple regulations are in process, individuals involved with one regulation are also needed for others. This creates scheduling problems and backlogs.

In May 1984, SSA acted to improve its control over regulations and to streamline the issuance process. First, it developed a tracking and monitoring system that produced monthly and biweekly reports identifying regulations in process, their due dates, stages of development, and the actions still required of each organizational component. SSA also began requiring concurrent, rather than sequential, review and requiring managers to resolve policy issues earlier.

Despite these efforts, SSA did not reduce the time required to complete regulations. This has occurred, SSA officials said, because the new process has not been followed by all components, and some regulations have been developed outside the new process. They also said that emphasis is given to preparing the program operating instructions instead of issuing the regulations first. SSA believes, however, that the actions taken have reduced the time to issue regulations during 1986.

Federal Courts Admonish SSA for Implementing Policy Without Regulations

Federal courts have found fault with SSA policies for determining disability benefits and with its failure to publish what amounted to regulations in the Federal Register in accordance with the Administrative Procedure Act. In these circumstances, the courts have sometimes overturned the SSA policies that caused the denial or termination of benefits. SSA's policies sometimes are inconsistent with the regulations, resulting in problems at different levels of adjudication. For example, the program operating instructions, which are in use long before the regulations, guide those making the initial determinations of eligibility or continued eligibility, but in reaching their decisions courts rely on the regulations, which may be inconsistent with the instructions.

In two separate class action suits, the courts have found that SSA did not appropriately develop and implement agency regulations. In Mental Health Association of Minnesota et al. v. Schweiker, 554 F. Supp. 157 (1982), a federal district court found that SSA's policy for determining mentally ill individuals' eligibility for disability benefits was not only arbitrary and capricious, but also irrational and an abuse of discretion. Specifically, the court found that directives issued by SSA's Chicago Regional Office to clarify headquarters policy concerning the evaluation of mental impairments were void because they had not been properly published in the Federal Register. The court overturned all benefit denials based on the regional policy directives and ordered SSA to (1) review claims denied on or after March 1, 1981, (2) restore benefits to those denied, and (3) determine beneficiaries' entitlement to retroactive benefits.

In City of New York et al. v. Heckler, 578 F. Supp. 1109 (1984), a U. S. District Court found that the basis upon which benefits were denied to certain mentally ill individuals by SSA from 1978 to 1983 was arbitrary and contrary to the Social Security Act and the relevant regulations. In particular, the court held that, from 1978 until at least the early months of 1983, SSA engaged in a covert policy to deny class members an individualized assessment of each claimant's capacity to engage in substantial gainful activity. The court held that this violated the strictures of the Social Security Act and the regulations enacted thereunder. As a result of this decision, SSA was required to review the decisions denying or terminating benefits dating back to April 1980, and to redetermine eligibility.

To promote use of uniform standards in disability determinations at all levels of adjudication and use of public notice, comment, and rulemaking procedures under the Administrative Procedures Act to develop such standards, the Congress enacted Public Law 98-460. But SSA's ability to implement this law without slowing down the entire policy implementation process depends on improving the time it takes to develop and publish regulations.

Problems in Developing and Communicating Internal Operating Instructions

SSA's primary vehicle for conveying program policy and procedures for administering its programs is the program operations manual system. Field office personnel use POMS to determine eligibility for benefits and payment amounts. But there are many problems with the POMS manual and the methods for updating it that adversely affect its usefulness. As a result, the field office personnel have received internal operating instructions that are conflicting, unclear, or incomplete, and in quantities that are extremely difficult to manage. Furthermore, different regional office interpretations may occur because of the large number of regional office supplements to either correct or clarify the headquarters instructions. Even though there is a process to control the issuance of regional supplements, the number of these supplements makes control difficult.

The above problems have been caused by a variety of factors, including

- the process for issuing instructions,
- lack of managerial support for improving instructions,
- frequent turnover in commissioners, and
- fragmented responsibility for the instructions system.

POMS—A Difficult System to Manage

POMS is a paper reference system that contains about 38,000 pages of instructions. Updating the manual is handled by issuance of inserts. Headquarters instructions that become permanent additions to POMS are printed on white paper. Other supplements, which are additions to the main body of the instructions, are printed on different colored paper depending on their purpose. POMS is also changed by teletype messages, memorandums, regional office supplements, and program circulars. Users must understand and file these various changes.

From fiscal year 1983 to 1985, SSA headquarters issued 2,066 permanent instructions and 155 program circulars to update or clarify these instructions. In 1985, the regional offices issued 1,694 regional supplements and 2,529 program circulars to clarify the headquarters instructions or to provide guidance to meet local office needs. Currently SSA is printing program instructions at an average rate of 4,083 pages per month. According to an SSA official, if users in the field office received a copy of every page of the instructional material they needed to do their jobs, each would have received about 17,000 pages of instructions in 1984.

POMS has been a problem since 1975, as highlighted in internal and external studies. Following is a summary of the principal findings:

- Five SSA studies from 1975 to 1978 showed that its field staff were experiencing problems with POMS. For example, instructions were unclear and far too apt to change or be totally rescinded almost before they could be read. Also, transmittals were received with such frequency and in such volume that few people were able to keep them filed correctly.
- A 1980 SSA study concluded that the real solution to the POMS problem was to develop an automated instruction system, because operating manuals quickly became outdated when users did not file the instructions promptly, and processing errors began to occur.
- GAO informed SSA in a briefing in 1979 and a report in 1982 (GAO/HRD-82-47, Mar. 19, 1982) that SSA field offices received instructions with such frequency and volume that they had problems keeping up with changes.
- In 1983, the Grace Commission stated that there is an obvious risk that policy will not be applied consistently and that some transactions will be handled under obsolete procedures because POMS is frequently supplemented by other instructions, which are not in the POMS format and do not replace pages in POMS.
- In 1983, Deloitte, Haskins and Sells found POMS to be very cumbersome, poorly indexed, and confusing.

- An SSA study in 1984 found that field offices still complained about the number of instructions, the time it takes to issue them, the poor organization of POMS, excessive regional office instructions to correct or clarify headquarters instructions, printing errors, and incomplete, inadequate, and generally outdated indexes.

SSA's Efforts to Improve POMS

SSA has taken several actions since 1978 to improve the instructions system. In 1978, it began to consolidate over 230 different instruction manuals into one unified manual—POMS. While the majority of manuals were converted into the POMS format by 1981, some 5,600 pages (about 15 percent) were not incorporated until 1986.

In 1980, SSA implemented a tracking system to establish a more disciplined process for issuing policy and procedural changes. This process was abandoned in 1984, however, because it proved too burdensome to use. Also in 1980, SSA established a review process by which each major headquarters operating component and selected regional offices were given the opportunity to review proposed instructions for clarity, intent, effect on work, and training needs. According to SSA, this process has been unsatisfactory because user feedback is received too late to change instructions before publication.

The most recent effort to improve POMS, which began in March 1984, included the following initiatives:

- Establishing an SSA component with the responsibility for managing the instructions process.
- Establishing content standards for POMS.
- Developing a production schedule for POMS issuances.
- Developing a comprehensive and standard index for POMS.
- Improving production and distribution methods.
- Determining the appropriate organization, format, and writing style and quality for the instructions.
- Determining the best way to make instructions available and accessible to field offices.
- Determining how to promote the effective use of POMS.

There is little consensus regarding what is causing SSA's difficulties in fully resolving POMS problems. Some officials attribute the problems to the skill level of users and the lack of adequate training. Others believe field office managers do not put enough emphasis on managing POMS updates. Furthermore, a difference of opinion exists among SSA's officials as to whether POMS should provide a "cookbook" solution for any situation that needs adjudication or be less specific and allow for judgment.

While many factors undoubtedly contribute to the problems, it appears that the lack of sustained top management attention and the absence of a central focal point for managing the entire POMS process are at the heart of the dilemma. No one official has been given the responsibility for overseeing and coordinating the various components involved in the process. About 10 different components are involved in writing, publishing, and distributing POMS, with more than 800 writers of POMS instructions from the policy offices, the Office of Systems, and on occasion the field offices. In addition, there have been numerous starts and stops as commissioners have changed. An official involved in the most recent effort to improve the instructions stated that POMS was never given the management attention it deserved until former Acting Commissioner McSteen made it a major initiative.

Users Still Burdened Despite Actions Taken

Despite SSA's efforts to improve POMS, over half of SSA's employees responding to our questionnaire reported various problems with POMS, as table 10.2 shows.

Table 10.2: Percent of SSA Employees Citing Problems With POMS

POMS problem areas	Percent who view area as a problem
Too frequent changes	72
Unclear, inconsistent, ambiguous instructions	74
Changes that require supplements	81
Instructions not on time	52
Too much material to manage and implement	75

Also, a majority of district and branch office managers did not see much improvement in the understandability, timeliness, or usefulness of the POMS over the last 2 years, as table 10.3 shows.

Table 10.3: POMS Improvement Over Last 2 Years as Seen by District/Branch Office Managers

	Degree of improvement in POMS		
Improvements	Some, little or none	Moderate	Great or very great
Understandability	58	26	14
Timeliness	53	28	13
Usefulness	59	25	14

External and Internal Factors Hinder Automation of Program Changes

SSA is often unable to adequately automate new legislated program changes by their effective dates. Such dates often present unrealistic time frames to develop or modify ADP systems. Therefore, SSA frequently relies on manual processing, which is costly and error-prone, until the systems modifications can be made.

Also, shortcuts frequently have been taken to speed up the process. These have resulted in system designs that are error prone and require manual intervention and are more difficult to maintain and modify. In addition, the Office of Systems does not have enough experienced staff to perform the work needed to implement new legislation, maintain existing operations, and work on systems modernization. This is due to problems in both hiring and retaining highly qualified ADP personnel.

SSA recently has made some progress in improving its ADP software and overcoming personnel limitations that prevent timely and efficient automation of new statutory requirements. Computer programs are more readable and understandable, and there has been an increase in the numbers of skilled and trained ADP personnel. Real improvement will not be achieved, however, until SSA completes its software documentation standards, makes additional software improvements, and modernizes the computer system. Until then, SSA is still partially dependent on the knowledge of programmers of its existing systems to make the necessary modifications to automate new legislation. Therefore, effective dates for legislation need to consider SSA's personnel and software limitations. Adequate time should be provided to design, program, and validate the software to avoid error and the need to rely on manual processing.

Effective Dates Present Unrealistic Deadlines for Automation

Since 1980 effective dates for legislatively mandated changes have ranged from no days to 32 months. The Congress often sets effective dates to achieve budget savings and to meet other policy objectives even though SSA asks for more time to facilitate proper systems development.

Of the 43 legislative provisions requiring automation, 29 had an effective date of 6 months or less and 19 provisions had an effective date of 2 months or less. This was not enough time to make the necessary modifications to the computer systems, as table 10.4 shows.

Table 10.4: Provisions Automated by Effective Dates

Public Law (enactment date)	Number of provisions requiring automation	Provisions automated by effective date	Provisions not automated by effective date
96-265 (June 1980)	14	1	13
97-35 (Aug. 1981)	13	3	10
98-21 (Apr. 1983)	11	3	8
98-460 (Oct. 1984)	5	1	4

Three examples of situations in which SSA was unable to promptly or effectively automate legislative program changes follow:

- SSA had to delay implementation of the provision in Public Law 98-21 that entitled divorced spouses to certain benefits for several months beyond the effective date to complete software development. After the change was implemented, a software problem created overpayments. Additional software improvements were still needed as of the summer of 1986 to enable SSA systems to compute and apply partial offsets due to the beneficiary's earnings. This computation had to be performed manually.
- SSA installed a semiautomated process to implement a provision in the Disability Amendments of 1980 requiring that disability benefits be offset by SSI benefits. This meant that the universe of claims had to be manually calculated. These workloads were labor-intensive and error-prone. Each case required about 2 hours of manual effort to process, including about 1 hour to perform the offset calculation.
- The rounding of social security benefits to the lower whole dollar, a provision in Public Law 97-35, which had an 18-day effective date, could not be implemented by any means for 9 months because no manual process was feasible. Modifications had to be made to all title II automated operations, including initial claims, post-entitlement, and interface programs with the SSI and RRB computer systems. The Office of Systems had to perform systems analysis, programming, testing, and validation for more than 40 specifications.

The difficulty SSA had in automating the above provisions are not new to the agency or unique to those provisions. SSA has had similar problems since 1974 and will continue to do so until the major aspects of SMP with respect to software documentation are completed. This will facilitate time-efficient implementation of new statutory requirements. In the meantime, legislation enacted in late 1986 affecting the SSI and Black Lung Programs and legislation on immigration reform and requiring the enumeration of children among numerous other changes, may, according to SSA, have major effects on its ADP systems operations. Although the precise effect will not be known until SSA completes detailed implementation planning, SSA expects to phase in automation of some of these provisions and to rely on manual processes in the interim to achieve implementation by the effective dates. Also, SSA estimates that implementation of legislation on immigration, enumeration of children, and the federal employees' retirement system is expected to require several thousand work-years by the field offices. This may cause those offices to delay processing other workloads.

Orderly Change Process Disrupted

Automation of legislated program changes at SSA is a complex process requiring a structured sequence of events ranging from translation of legislative provisions into program policies to testing and validation of software modified or developed to implement the change. Disruptions in the process associated with short effective dates have caused delays, error-prone software, and inefficiencies.

The first step in automating legislative changes is translating the law into program policy, which forms the basis for systems analysis, software design and development. When legislation has short effective dates, the Office of Systems begins its work based on oral, informal statements of policy rather than waiting for a formal statement. When SSA issues final operating instructions that differ from the initial informal policy statements, Systems must redo its completed software development work. This situation occurred, for instance, during SSA's efforts to implement the SSI offset provision in Public Law 96-265. Of the 43 systems specifications developed, 9 had to be revised and 4 added due to changes in policies.

A related problem involves delays in resolving policy issues, which must be done before Systems can complete automation. In the case of the SSI offset provision, 33 policy issues delayed the final development of the ADP systems requirements and specifications, which contributed to delays in automation of the change.

Another critical step in effectively automating legislative changes is testing and validating software. Short effective dates, together with delays in policy resolution and other steps, have compressed the time available for testing and validation, resulting in shortcuts in this area. For example, SSA officials acknowledged that only about 25 percent of the 28 provisions in the Disability Amendments of 1980 and the Budget Reconciliation Act of 1981 were fully validated before implementation.

Software Condition Impedes Automation of Program Changes

To speed up automation of legislated program changes in previous years, SSA took several software development shortcuts. These included "patching" existing software rather than developing new software, inadequately documenting software changes, and incompletely testing and validating software changes. Over the years, these shortcuts continued, leading to the undocumented, outdated, and inefficient condition of much of SSA's software today. This software is difficult to maintain and modify, making it even more difficult to implement legislative changes quickly and effectively.

Lack of Sufficient Technically Skilled Staff

In some instances, automation has been delayed due to a scarcity of experienced Systems resources. Because of the complexity of SSA's software, it relies heavily on individuals who are familiar with various program aspects. These experts have been expected to both maintain ongoing operations and to modify systems to automate legislated changes. In the past, SSA has experienced situations in which the same experts were needed to maintain existing systems as well as modify software to implement multiple legislated program changes. As could be expected, delays resulted when they could not get all the work completed quickly.

We have reported on three different occasions about SSA's difficulty in recruiting and retaining skilled ADP personnel, especially programmers and software analysts. The current status of this problem is discussed on pages 150 to 154. Further complicating this staffing problem is the fact that even if SSA were able to hire or train personnel to perform the functions of automating new legislation, it would be difficult for them to do so quickly because of the condition of much of SSA's software.

Conclusions

SSA needs to emphasize use of its new regulations development process in order to minimize the time it takes to develop and clear regulations. This would increase the likelihood that operating instructions would conform with regulations and could also help reduce adverse court actions. In addition, we believe SSA should systematically evaluate whether the new process is reducing the time it takes to complete regulations.

Despite various attempts and improvements in some areas, SSA has not made substantial progress in resolving its problems with operating instructions. Operations personnel who have to rely on them to adjudicate claims and process related transactions continue to find them difficult to use and manage. SSA personnel involved in addressing these difficulties have differing views on causes of and solutions to the problem. We did not do an in-depth evaluation of POMS, and therefore are not in a position to recommend specific solutions. We believe, however, that SSA needs to get a better understanding of the causes of the problem and initiate corrective action.

The undocumented condition of much of SSA's computer software and its shortage of experienced personnel make it difficult to properly automate legislative program changes quickly. Laws with short effective dates make it even more difficult for SSA to automate the required changes, resulting in less efficient and more error-prone manual processing and, in many instances, poor quality service to the public. Service to the public could be improved and SSA's resources could be more efficiently used if SSA were given sufficient time to properly automate legislative changes.

Recommendations to the Commissioner

We recommend that the commissioner

- through SES contracts, hold appropriate managers involved in the regulation development process accountable for complying with the new rulemaking procedures;
- periodically evaluate whether the new process is reducing the time it takes to finalize regulations and implement further improvements if warranted;
- identify underlying causes of the POMS problems, develop specific plans for correcting them, and through SES contracts and merit pay plans, hold managers accountable for implementing agreed upon actions; and
- periodically survey operating personnel to determine the extent to which improvements in POMS have been effective.

Recommendation to the Congress

We recommend that the Congress consult with SSA on the time needed to automate legislative requirements promptly, efficiently, and effectively and consider the information provided by SSA in establishing effective dates.

Section IV

Improving Management Control Over ADP Modernization and Operations

Several problems have hindered SSA's ability to manage and control operations, measure and improve performance, increase productivity, and modernize its computer systems. Top management attention is needed to gain control over these areas.

The quality and timeliness of SSA's service to the public depend largely on how well its computer systems operate. While SSA has made some progress in modernizing its systems, there has been limited progress in a critical area—software improvement. The lack of progress in this area can be attributed, in part, to inadequate managerial and technical control, an inadequate decision-making process, lack of adherence to software development standards, insufficient project tracking and integration mechanisms, and insufficient technical leadership and skilled personnel. These conditions have impaired SSA's ability to modernize its computer systems while adequately maintaining its current system.

The lack of sufficient and timely management information makes it difficult to manage and control operations. Despite SSA's efforts to improve this problem, more needs to be done. Managers are still concerned about the lack of sufficient and timely performance measures, excessive manual compilation of information, and insufficient data to manage workloads and resources and to determine the achievement of desired results. Current efforts to address this problem should help but may fall short due to the lack of (1) a management information policy, (2) common performance standards and measures for many workloads and services, (3) progress in data base improvement, (4) progress in completing the requirements for the new computer system, and (5) effective coordination of component review and evaluation activities.

SSA has not devoted sufficient attention to improving its operational efficiency. It has been reluctant to establish performance goals or expectations for efficiency, seldom holding managers accountable for poor performance in this area. Analysis of SSA's data shows declining efficiency in some major operational areas, as well as substantial variations in efficiency among and within similar components. Emphasis on operational efficiency or cost reduction is not strongly imbedded in SSA's organizational culture.

Although SSA has performed well in providing timely and accurate benefit payments primarily on initial claims and courteous service to clients, it has not done as well in processing such post-entitlement activities as issuing clear notices and making address changes. Assessment of SSA's overall performance is hampered by the lack of performance standards or measurable goals in many areas and the absence of good measures of performance in others. Further, SSA has not systematically measured its performance in several key areas, particularly with respect to accuracy and timeliness for many post-entitlement events. These shortcomings limit measurement of operational performance, gauging progress toward goal attainment, identification of emerging problems, and assessment of the potential effect of staff reductions on service to the public.

SSA has recognized many of these problems and initiated action, through former Acting Commissioner McSteen's initiatives or by other means, to address them. Progress has been slow, however, and the problems have persisted. Commissioner Hardy has acted to focus top management's attention on them by including corrective actions for many, as objectives in her operational tracking system. For example, she has initiated efforts to (1) improve the management of the Office of Systems and to increase management control over SSA's systems modernization efforts; (2) improve operational efficiency and service delivery, including issuance of clearer notices to the public; and (3) continued efforts to improve management information.

Additional actions that Commissioner Hardy has agreed to take include:

- Establishing performance benchmarks for important services SSA provides; providing for adequate, timely, and efficiently produced management information to measure performance; and holding managers accountable for results.
- Instilling a greater concern for cost and efficiency into SSA's culture without diminishing the organization's strong commitment to providing high-quality service to the public.

Improve Management and Technical Control Over ADP

During the 1970's, SSA experienced many computer system problems that resulted in declining service to the public. The problems reached crisis proportions by 1982, when SSA began a comprehensive program to upgrade and modernize its entire ADP operation. This was a 5-year (1982-87) Systems Modernization Plan, estimated to cost about $479 million. Since then, SMP's estimated costs have increased to about $643 million through 1988. Although many additional activities will extend beyond 1988, SSA has not yet estimated their costs.

Management controls are essential for controlling a program the size of SMP from concept definition through implementation. Management controls are the means by which all the activities involved in planning, designing, developing, testing, implementing, and integrating are unified into a program that will support SSA's mission. We found that SSA's management controls over its ADP activities, including SMP, needed to be strengthened. Specifically, SSA should:

- Develop SMP under the guidance of an agency-wide, long-range operational plan. Because SSA does not have such a plan, the Office of Systems and users must make assumptions about the nature of future SSA operations. Such assumptions significantly affect how SSA will deliver services, thereby diminishing top management's ability to chart how the agency will do business in the future. In September 1986, SSA established a long-range planning process. (See ch. 8.)
- Develop and follow a logical, comprehensive decision-making process so that critical and costly decisions involving the modernization effort are made with adequate analyses and justifications. Critical decisions have been made without adequate analyses.
- Properly control and integrate the hundreds of individual projects involved in this modernization effort to provide accurate management information and clear management accountability over SMP projects.
- Complete development of and enforce computer software standards. Because SSA has been slow in completing and enforcing a software standards program, some software projects have been delayed and additional costs have been incurred. Historically, incomplete standards and inadequate enforcement resulted in software that is error-prone and difficult to maintain.
- Address personnel problems, particularly obtaining necessary technical leadership in the Office of Systems and qualified ADP personnel in sufficient numbers—either in-house or by contract—to carry out the modernization effort and adequately maintain the current systems.

Origin and Status of SSA's Program to Modernize Its ADP Operations

SSA uses automated systems to carry out most of its basic activities, such as maintaining almost 280 million social security earnings records, issuing social security numbers, and providing information to the Department of the Treasury to pay social security benefits. It also maintains a nationwide telecommunications network to exchange data between field offices, PSCs, and headquarters. SSA employed about 3,200 personnel in its Office of Systems at a cost of almost $119 million in fiscal year 1986 to operate, maintain, and modernize these systems. SSA also budgeted about $282 million for fiscal year 1988 obligations for ADP and telecommunications equipment acquisition, supplies, and contractual services.

The quality and timeliness of SSA's service to the public depend largely on how well its ADP systems operate. Since the 1970's, SSA has experienced recurring systems inefficiencies and problems. Although it has attempted to upgrade its equipment and modernize its systems, until 1982 these efforts have either failed, resulted in limited improvements, or were abandoned or redirected as commissioners changed.

By 1982, the systems were obsolete, difficult to maintain, experiencing backlogs, and vulnerable to failure. The result was poor service to the public—slow issuance of social security cards, confusing notices, and inaccurate or delayed payments. In 1982, SSA initiated SMP to "restore excellence" in its ADP systems. This comprehensive plan encompassed improvements in software, equipment, and personnel training. The plan consisted of four programs—software engineering (development of new computer software), data base integration, data communications, and computer capacity upgrade. It focused on improving the agency's software—computer programs that determine individuals' eligibility for benefits, compute the payment, send notices to beneficiaries, and keep track of changes to the beneficiaries' record, among other things. The plan recognized the historical problems in developing, maintaining, and managing SSA's software without appropriate standards and emphasized the critical need to improve its performance in this area. Since 1982, SSA has added two programs to the original plan— administrative management information and engineering (development of management information systems), and systems operation management.

SMP improvements were to take place over a 5-year period (1982-87) at an estimated cost of $479 million. SSA currently projects SMP costs through fiscal year 1988 to be about $643 million, which includes improvements in additional areas. SSA stated that it was not possible to project costs accurately beyond 2 years into the future because of the budget cycle.

Although SMP's software progress has been slow, the modernization effort has yielded many improvements that have saved time and labor and contributed to better service to the public. For example, conversion of files from tape to disk and development of new software to collect beneficiary claims information have provided field office employees with on-line information that has enhanced the initial claims process. Software improvements to SSA's enumeration system, which assigns social security numbers, has resulted in quicker issuance of social security cards. SSA has also implemented a new system to make fast payments in emergency situations. Further, according to SSA, it has increased the automation of transactions through its Annual Earnings Recomputation Operations from 57 percent for 1979 to 72 percent for 1984 due to software improvements.

While these improvements have helped, the existing systems' environment still has many technical limitations and inefficiencies that impeded improvements in the quality of services to the public and efficiency of computer operations. For example:

- In 1985, about 6 million transactions were manually processed. Also, it often takes a year or more and much manual effort to resolve and correct inaccurate earnings records.
- Almost all of SSA's district office workload data (49 of 59 workload categories) and much other needed management information must be manually counted and tabulated by field office personnel.
- SSA is often unable to process requests for address changes in a timely manner (see p. 192) or to improve its ability to respond to legislative changes. This results in less efficient and more error-prone manual processing. SSA began a project in May 1985 to improve its capability to process address changes and expects to complete work in late 1987.
- Much of the software is inefficient with redundant edits and processing routines. SSA still has two separate software systems that provide payment data for the same beneficiary. This increases maintenance costs, computer exceptions, and manual processing. SSA planned to correct this in the early 1980's, but dropped the plan because it believed improvements would result from the 1982 SMP. In April 1985 SSA initiated a project to correct this problem and expects to complete work in May 1987.
- Finally, limitations in software applications and data systems produce many confusing or incorrect notices to the beneficiaries. Poor quality

public service results. Also many notices still have to be generated manually by SSA field office staff.

In September 1985, we reported[1] that SSA had not followed its initial plan for upgrading its software systems. We stated that this may result in SSA not achieving a modernized system—leaving its software in much the same condition as it was in 1982. The plan called for first developing a Software Engineering Technology (SET),[2] improving its existing software, and redesigning its systems. Instead, SSA began redesigning its systems before completing the initial two steps. We also found that early attempts to improve software failed because of inadequate software documentation. In addition, insufficient top management attention, staffing constraints, organizational changes, and frequent changes in SMP's direction hindered progress.

HHS's inspector general and GSA have also expressed considerable concern over SSA's problems in improving software. In his semiannual report for the period October 1985 to March 1986, the inspector general summarized a number of problems, such as lack of clear goals and changes in management or the organization that have caused and continue to cause problems. In commenting on SSA's April 1986 semiannual briefing on SMP, GSA stated that SSA has not shown a lot of progress in the software area, citing its inability to follow a consistent course of action as the main problem. GSA made a similar comment on SSA's lack of sufficient progress in improving its automated data base.

Systems Modernization Proceeds Without Benefits of Agency Operational Plan

A comprehensive, long-range, agency-wide operational plan is critical to effective ADP planning. A long-range operational plan sets forth service delivery goals, service delivery approaches, and the desired organizational arrangements. Together, these provide the framework for a long-range ADP strategy. We have recommended that SSA develop a long-range plan in several of our previous reports. Specifically, in September 1979 we recommended[3] that SSA assign responsibility for formulating and implementing comprehensive long-range plans to a separate organization reporting directly to the commissioner. While acknowledging the need for such planning, SSA said that the agency would accomplish it through existing organizations.

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[1] Social Security Administration's Computer Systems Modernization Effort May Not Achieve Planned Objectives (GAO/IMTEC-85-16, Sept. 30, 1985).

[2] The SET project involved two tasks: developing a manual containing software standards to formalize the most productive and efficient systems development and programming methods and establishing a quality-control mechanism to ensure that SSA adheres to these standards.

[3] Social Security Administration Needs To Continue Comprehensive Long-Range Planning (GAO/HRD-79-118, Sept. 20, 1979).

However, SSA has yet to develop a comprehensive, long-range operational plan. According to SSA's systems officials, they must make assumptions and decisions that affect SSA operations in their entirety. These officials expressed concern as to whether SMP will be consistent with SSA's future needs and be able to avoid wasting time and money. SSA senior ADP managers told us that the lack of an agency-wide, long-range plan delayed ADP decisions. One official said that without an operational plan with specific direction, Systems is having a "high level" conflict in striking a balance between redesigning a new system under SMP and improving the existing ones. For example, staffing resources have been transferred from improving the existing systems to redesigning a new system. According to Systems' officials, proper maintenance and improvements of the existing systems are especially important because SSA has to depend on the existing systems with their limitations until they are corrected or the new system is fully operational.

In addition, uncertainties about the future and the lack of a long-term operational plan have impeded and could continue to impede SMP's implementation. For example:

- After much planning and work, the annual wage reporting redesign project was canceled, primarily to save costs. However, another reason was future uncertainties about where and how the data would be processed.
- If SSA should decide to move toward a distributed data processing environment (geographically disbursing computer processing capability) or folderless processing (processing transactions without reliance on paper folders), changes to its new system design or configuration would be required. These options were recommended by the deputy commissioner for operations in his November 1985 strategic plan for post-entitlement processes. SSA is considering these options.
- An agency official said that it is difficult to prepare functional requirements for a new system without detailed requirements on the response time users need from the system. Another Systems' official said that without a long-range operational plan, it is difficult to efficiently design a new computer system because specific changes to the current way of doing business have not been identified.

Inadequate ADP Decision Process

As previously discussed (see ch. 7), SSA lacked a formal, structured decision-making process that required agency decisions, including those involving ADP, to be based on adequate analyses and justifications; appropriate internal and external views to be considered, and decisions to be communicated to affected persons. This problem was particularly critical in the ADP area because the quality and timeliness of SSA's service to the public depend largely on how well its ADP systems operate and because of the large sums at stake—over $600 million. Similar to SSA overall, the Office of Systems lacks an adequate decision-making process.

Because of the technical nature of ADP decisions, they require considerable analyses. Federal procurement regulations require that the need for data processing resources be supported by an analysis that includes functional requirements—the users' stated major performance objectives of a system's software—workload projections, analysis of alternatives to satisfying requirements, and the cost and benefits of alternatives. The decision-making process should also consider the effects on the agency's ability to achieve its mission and the impact that the decision will have on other agency programs.

We have previously found deficiencies in SSA's systems acquisition decisions. In July 1982, SSA merged key procurement functions of specifications development and review into one office within the Office of Systems. Thus, the same office that generated data communications specifications also reviewed these specifications for technical adequacy and cost effectiveness. In our July 9, 1984, report,[4] we found deficiencies in procurement practices, including the above weaknesses in organizational internal controls. To correct this control problem, SSA established a group in the Office of Systems to review procurements that was separate from the staff developing systems specifications. Despite this new group, SSA has continued to make some key ADP decisions without the benefit of full analysis. In our opinion, the location of this review group in the Office of Systems makes it difficult for it to provide independent and objective assessments and diminishes its effectiveness as an internal control procedure.

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[4] SSA Data Communications Contracts with Paradyne Corporation Demonstrate The Need for Improved Management Controls (GAO/IMTEC-84-15, July 9, 1984).

Proposed Large-Scale Acquisition Without Proper Analyses or Testing

Through May 1987, SSA plans to award contracts[5] totaling $190 million to replace and substantially expand (1) the current data communications network, (2) the number of data communications terminals in Social Security's field locations from about 4,000 to as many as 39,200, and (3) the main computers servicing terminals at the SSA central computer facility. Although these are costly and significant decisions, SSA did not perform adequate analysis during its decision-making process as required by federal regulations (Federal Information Resources Management Regulation, Part 210-30).

In our August 1986 report[6] to the Chairman, House Committee on Government Operations, we pointed out that SSA did not:

- Identify and document the potential mission benefits that would accrue from the acquisitions.
- Sufficiently complete functional requirements for the system components and validate them with users before selecting an ADP system. SSA had only completed the functional requirements for processing initial claims data for the Retirement, Survivors, and Disability Insurance program.
- Prepare a complete cost-benefit analysis. For example, analysis for the data network was limited to costs and did not consider benefits, such as satisfying mission needs or improving service to the public.
- Adequately analyze the operational and economic feasibility of alternative solutions before proceeding with system procurements. As a result, SSA lacked a complete understanding of whether its chosen approaches to the data network and main computer procurements were the most effective and least costly.

SSA was also planning to install new computer terminals nationwide before performing an overall test of all system components. In our August 1986 report, we recommended that SSA scale down its planned procurements to support the full installation of equipment only at its 20 pilot offices in order for SSA to adequately assess its needs.

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[5] On September 24, 1986, SSA awarded its first major contract under this plan to International Business Machine Corporation for 2,805 controllers, 22,892 computer terminals with modems and collector circuits, and 7,359 printers, for a contract price of about $40 million for the first year and a total cost of about $138 million.

[6] SSA Should Limit ADP Procurement Until Further Testing Is Performed (GAO/IMTEC-86-31, Aug. 1986).

Another concern expressed by key agency officials is the lack of automated backup for its new claims and post-entitlement system. SSA currently plans to install and operate its new system without deciding how to provide sufficient backup computer capability in the event of a partial or total system malfunction due to software or hardware problems. Although at various times over the last decade SSA has considered a distributed data processing environment to provide backup capabilities, as of December 1986, SSA had not decided on this option. SSA is, however, analyzing the distributed data processing option.

Resources Shifted From Existing to New System

In April 1986, SSA decided to shift 61 of its ADP staff to the modernization effort. Although the number of staff transferred is not substantial, according to systems officials, many of the 61 were Systems' more experienced staff. SSA identified about 20 systems improvement projects that either (1) had to be reduced in scope, (2) would experience delays in completion, or (3) could not be done as a result of this shift of experienced staff. In addition, key SSA officials have expressed concern about SSA's future ability to correct problems in its existing system as a result of the shift in or shortages of skilled staff to work on the existing system.

According to the former acting deputy commissioner for systems, the need to complete its claims modernization initiative, the desire to install new terminals in all field offices, and the need to fully use its new computer equipment were major reasons for the decision. This decision was based largely on an oral briefing by Office of Systems personnel before the former acting commissioner and members of SSA's executive staff in which limited data on various options for resource use was presented. As pointed out in our August 1986 report, however, SSA did not perform adequate analysis when deciding to procure its new terminals and computer equipment. Further, SSA's former acting deputy commissioner for systems told us that although the general adverse effects (limited ability to maintain and improve current ADP operations and effects on currently planned ADP projects) were discussed, no detailed analyses of operational efficiency or service delivery were performed. According to Systems' officials, proper maintenance and improvement of the existing software are especially important because SSA's strategy involves phasing in its new system. This means that SSA will be dependent on its existing systems with their limitations until they are corrected or the new system is fully operational.

The ramifications of shifting ADP staff are particularly important because of the adverse effects it may have on SSA's operational efficiency and effectiveness until SSA's new system is fully operational. This is not likely to occur for several years because the new systems design has experienced delays. For example, in 1983 SSA estimated it would complete the functional requirements of the redesigned computer system by the end of 1985. But by 1985 this date slipped to December 1986. SSA's current estimated completion date for a large portion of the functional requirements is January 1988. Also, after SSA completes the functional requirements, the design, testing, and implementation will not be completed until some time in the 1990's. This will result in delaying improvements to its existing post-entitlement system, which is viewed by its senior executives as having SSA's single greatest need for systems modernization. As previously noted, this system still has many technical limitations that require manual processing.

Slow Progress in Effectively Controlling Its Systems Projects

In 1982, SSA recognized the complexity of SMP and how essential it was to monitor, control, and coordinate about 200 SMP and related projects. SSA planned to use several approaches to control and integrate the projects, including (1) engaging a contractor to plan and manage the integration of the various SMP projects, (2) using existing management information systems to track progress and costs, and (3) developing a new automated project management system. However, to a large extent, these efforts have resulted in a limited ability to effectively track and control SMP progress. In our opinion, SSA's slow progress in this area stems largely from insufficient effort to hold Systems' managers accountable for SMP progress. In addition, frequent changes in SSA's and Systems' leadership, which resulted in frequent shifts in direction, further complicated accountability.

To compensate for internal staffing shortages, SSA diverted the contractor from project management and integration support into tasks involving software development during the first 2 years of the contract, awarded December 8, 1982. Although SSA redirected the contractor to perform integration plans in October 1984, as of August 1986, the contractor had a completed plan for only 3 of the 13 major SMP software projects. Plans for the remaining 10 projects were scheduled to be completed several months later. Lack of proper integration can cause significant problems in effectively implementing SMP. For example, SSA has not yet developed detailed plans for integrating its new National Debt Management System with its existing system or other elements of its new system, nor has it considered how to convert data on debt from the existing to the new system. Systems' officials have expressed major concerns about the delays and implementation problems that could result if these issues are not adequately addressed.

SSA has frequently changed project strategies, approaches, milestones, and scope. The frequent changes have made it difficult for SSA officials as well as other groups, such as GSA, to track SMP progress. A GSA official who monitors SMP progress has expressed considerable dissatisfaction with SSA's inability to follow a consistent course of action and accurately depict SMP status. For example, following an April 1986 briefing, the GSA official reported that in many cases SSA incorrectly described SMP status, and because so many software engineering projects either had changed dramatically or had been canceled, it was difficult to determine the SMP status. According to SSA officials, changes have occurred for a variety of reasons including initial underestimates of the size or complexity of projects, changes in leadership, and the reluctance in some instances to show schedule slippages because SSA managers wanted to meet established milestones. Managers went on to say, however, that often unrealistic milestones, rather than well thought out and analyzed integration plans, may drive SMP.

As of November 1986, SSA had not developed or instituted a consolidated automated project management system, but rather had three systems—the Management Support System, the Resource Accounting System, and the Procurement Requisitions Management Information System. These systems have limited capabilities and result in inefficient and fragmented project control. According to Systems' officials, the data from these three systems must be manually aggregated to get a broad picture of SMP status. In 1982, SSA planned to develop an automated system to provide up-to-date status on all SMP projects and directed its integration contractor to develop such a system. Although the contractor delivered the requested operational software, SSA did not use it because the system was too labor intensive. Lacking an automated system, SSA continues to rely on the three separate systems.

For the short-term, SSA plans to combine the activities of the Resource Accounting System and the Procurement Requisitions Management Information System into an enhanced Management Support System. This short-term solution is scheduled to be operational in 1987. For the long-term, SSA plans to develop a new automated system that will provide integrated program management and project control for staffing, procurement, and budget activities. If SSA contracts for this system, the award is not expected to be made until August of 1987, with implementation 6 to 9 months later.

Completion and Effective Enforcement of Standards for Systems Development Needed

SSA recognized the need to follow a standard approach to develop and maintain software. As a result, it established a SET project in 1982 as part of SMP to (1) develop a software standards manual to formalize the most productive and efficient systems development and maintenance methods and (2) establish a quality assurance mechanism to ensure that new software adhered to such standards. However, SSA has not completed this manual and has been slow in developing and implementing quality assurance mechanisms. This is primarily because of inadequate management attention and resources for this project in SMP's initial years. This has contributed to delays in software projects, additional costs, and SSA's vulnerability to the same types of software problems—error-prone and difficult to modify—that it has experienced in the past.

Delays in Developing Software Standards

Development of and adherence to appropriate software standards are important to SSA. Generally, standards improve the maintainability of software development by reducing errors and the labor costs and time required to develop, change, test, and document computer systems. Because SMP is an extremely large, highly complex task with multiple interrelated projects, standards are critical to provide the foundation by which management can exercise control.

SSA has made slow progress in developing software standards. SSA planned to complete the SET project by 1983. It was to provide standards for all phases of systems development and specify management control points between and during each phase. In 1984, SSA had partially developed a SET manual that followed the industry's Systems Development Life Cycle methodology and had developed procedures covering the (1) planning, requirements definition, and analysis phase; (2) design phase; (3) development phase; (4) installing and testing phase; and (5) review and audit phase. However, in our September 30, 1985, report, we found deficiencies in the SET manual standards, such as incomplete documentation standards for software development.

In 1986, SSA increased management attention to the project and made progress in revising its SET manual. SSA completed the planning, requirements definition, analysis, design, and development phases. However, two major phases—(1) the installing and testing and (2) review and audit of systems—will not be completed until the end of calendar year 1987.

SSA has made slow progress in developing software standards because insufficient staff was assigned to the project during SMP's first 3 years (1982-84) and there were multiple changes in leadership. As we reported in September 1985, five different project leaders had been assigned to developing SET. These changes contributed to the project's delays and its redirection. For example, although a project plan to develop SET, including pertinent tasks and time frames, was prepared in 1984, it was revised and not approved until July 1985 because of the change in management. In addition, despite the complexity and importance of the SET project, no more than three full-time staff were assigned to it at any one time until October 1985. At this time SSA assigned three additional staff members, and in February 1986—3 years after the project's original completion date—SSA assigned a total of 10 staff members.

Because software development standards were not complete, SSA has experienced problems in developing software and may continue to do so until such standards are complete. For example, in December 1982 we reported[7] major deficiencies in SSA's system development and software that caused substantial erroneous payments. We said that a major reason for deficiencies in SSA's computer systems was the agency's lack of a methodology for developing computer systems. In September 1985, we reported that SSA requested the systems engineering and integration contractor to develop a project's system specifications. Because the SET standards were unclear, the contractor had difficulty determining the type of documentation SSA was requiring; consequently, it performed unnecessary documentation efforts.

A Systems' official responsible for major projects under SMP expressed concern over incomplete standards and told us what compensating actions had been taken.

> "We have developed unit test plans [checking the quality of software] for every program. No SET standards were used because we could not find an example of a unit test plan.
>
> "We documented the programs but not according to the SET manual. We developed documentation criteria such as screen name, edits, receiving field names, general program descriptions and what modules the program calls. We had to develop our

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[7] Solving Social Security's Computer Problems: Comprehensive Corrective Action Plan and Better Management Needed (GAO/HRD-82-19, Dec. 10, 1982).

own standards because we could not find this criteria in the SET and there were no documentation examples in the SET."

Slow Progress in Developing a Quality Assurance Program

The 1982 SMP specified that a quality assurance mechanism would be implemented in 1983, when the standards were scheduled for completion. One quality assurance mechanism is a staff of people who monitor software development and maintenance to ensure that the SET standards established are adequately understood and followed. SSA has been slow in developing this quality assurance mechanism primarily because staff were not assigned until 1986. SSA has recently (February through June 1986) assigned five staff to work on the quality assurance function. They have developed a quality assurance plan that, according to a responsible Systems' official, is in a preliminary stage. However, they have not yet performed any quality assurance functions. Another quality assurance tool is computer software that can check other software to determine whether it adheres to standards. SSA has recently begun implementing this automated quality assurance approach and has begun training staff in quality assurance procedures.

SSA has experienced past and present problems because systems development standards were not followed. Further, in our current review we identified two projects where systems were designed before functional requirements were completely developed. Functional requirements define what a software system is to do. According to SSA, they are the most important category of SMP documentation.

In one instance, SSA hired a contractor to prepare the functional requirements for a major software redesign project—the National Debt Management System. However, SSA found them inadequate and requested that the project be redone. To keep up with the National Debt Management System's schedule, SSA directed another contractor to design the system even though the functional requirements were not completed. As a result, problems were found that were not addressed or considered in the functional requirements document, necessitating modifications to the system design. This caused the system design phase to be delayed by 10 months and increased contract costs by about $1.2 million.

In another instance, SSA issued a request for proposal in February 1985 and awarded the contract in September 1985 to design a system called the Processing Center Control System, before the functional requirements were completed. Because the design contractor did not have the functional requirements in SSA's standard format in September 1985 and because SSA has since modified the requirements, the design completion date has been delayed by about 5 months. An official told us that if SSA had prepared the project's functional requirements before issuing the request for proposal to cover the system design, contractors would have had a better basis for developing cost estimates and monitoring and managing the contract and the project.

Personnel Problems Hamper SSA's Operations

Personnel-related problems at SSA, including low morale, lack of skilled ADP personnel, lack of a long-range ADP staffing plan, and insufficient technical leadership, are adversely affecting the management of ADP operations, including SMP. To deal with these problems, SSA needs to identify its long-range staffing needs to accomplish the modernization effort and maintain the existing system and then act to fill those needs, either in-house or by contract.

Systems Staff Morale Problems Continue

In 1981, the commissioner testified[8] that there was a very serious morale problem throughout the agency, but particularly in the Office of Systems. Constant reorganizations and the failure to follow through on policy initiatives were given by Systems' officials as the main reasons for poor morale. Morale continues to be a problem in the Office of Systems, as well as in other SSA components, particularly as perceived by many Systems mid-level managers. As shown in table 11.1, perceptions of morale vary between SSA components and between managers and employees. In Systems, the perceptions of low morale by mid-level managers are similar to managers in other SSA headquarters components, but more prevalent than in the field.

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[8] Viability of the Social Security Administration's (SSA) Computer Systems, Hearing before a Subcommittee on Government Operations, House of Representatives, September 23, 1981.

Table 11.1: Percent of SSA Staff Reporting Level of Morale[a]

	High or very high	Neither high nor low	Low or very low
Mid-level managers			
Office of Systems	29	22	49
Other headquarters	33	20	47
Field	44	28	28
Nonmanagerial employees			
Office of Systems			
Computer specialist staff[b]	35	26	38
SMP staff[c]	49	28	23
Other[b,d]	30	25	43
Operations			
Service and claims staff	20	27	52
Other[b]	16	27	54

[a] These perceptions were obtained from questionnaires administered during 1986. Of 87 Systems mid-level managers surveyed, 63 responded; and of 268 Systems headquarters nonmanagerial computer specialist staff surveyed, 208 responded.

[b] Does not total 100 due to rounding or nonrespondents.

[c] Staff spending at least one-third of their time on SMP.

[d] Staff spending less than one-third of their time on SMP.

Among Systems' nonmanagerial computer specialist staff surveyed, the perceptions of low morale are generally not as prevalent as among other employees surveyed. However, Systems' employees who are working on the existing system report low morale considerably more frequently than those engaged in SMP projects. From our analysis of questionnaire responses and interviews with affected employees, it appears that Systems' approach to shifting personnel from work on the existing system to the modernization effort has left employees who continue to work on the existing system with the perception that management did not consider their work to be as important.

From a list of 12 possible reasons for low morale, Systems' managers and employees selected four most frequently: (1) lack of stable leadership, (2) poor promotion potential, (3) poor management, and (4) future uncertainty of the unit. The responses by mid-level managers and employees in other SSA components were similar. However, for one reason—poor management—only 41 percent of the mid-level managers outside of Systems indicated it was a reason for low morale, while 68 percent of the Systems' mid-level managers indicated that it contributed to low morale.

Narrative reasons for low morale were given by 48 percent of the Systems' managers and 28 percent of the nonmanagerial computer specialist staff who responded that morale was low or very low. Concerns expressed by the mid-level managers include:

- Unsettled organization.
- Poor technical direction.
- SMP confusion; experienced analysts realize we are not making the progress we should be making.
- Not enough emphasis on quality: quality sacrificed for timeliness.
- Frequently shifting priorities: it is very difficult to determine which projects are priorities today.
- Staff input is ignored.

Comments from the nonmanagerial computer specialist staff include:

- Frequent personnel realignments.
- Lack of raises, uncertainty as to what is happening to our retirement system, distrust of the Congress in dealing with federal employees.
- Emphasis on unrealistic project completion dates by upper management rather than on a planned validation schedule.
- With emphasis on SMP, there has been little reason to have high morale in the maintenance programming area.
- Lack of emphasis on quality by upper management.

We also found substantial differences in mid-level managers' responses to some questions regarding management problems. For example, 49 percent of Systems' mid-level managers reported that management did not give much attention to human factors during change compared to 36 percent and 31 percent in other headquarters units and the field, respectively. In addition, 70 percent of Systems' mid-level managers reported not having enough authority to manage their units compared to 48 percent and 42 percent in other headquarters units and the field, respectively. As shown in table 11.2, mid-level managers in Systems reported other management and organizational problems more frequently than mid-level managers in other parts of SSA.

Table 11.2: Percent of Mid-Level Managers Reporting Great or Very Great Problems in Accomplishing Their Unit's Mission or Goals

	Headquarters		
Problem area	Office of Systems	Other	Field
Excessive levels of review	54	36	25
Insufficient allocation of staff resources	46	27	31
Lack of clarity of unit roles	41	24	7
Too much authority in staff units	33	8	17
Frequent changes in structure	32	13	7
Unclear goals, objectives, priorities	33	14	12
Unclear lines of responsibility	32	21	7
Frequent changes in goals, objectives, priorities	29	14	21
Unclear authority to make decisions	30	20	10

Systems has recently taken several steps to improve employee morale. These include (1) the development of a follow-up process to track the performance and attitudes of new hires, (2) a staff rotation program to provide diverse experiences, and (3) preparation of individual training plans and an increase in the types of performance awards. While these are positive efforts, our questionnaire responses indicate more management attention on morale is needed to cover other problem areas, such as negative perceptions on technical direction, concern about personnel realignments, emphasis on quality, and receptivity to staff input.

Problems Remain in Acquiring and Retaining Skilled Staff

A sufficient number of qualified and dedicated staff is a fundamental requirement for the maintenance and modernization of SSA's ADP system. However, SSA has experienced problems in hiring or retaining qualified staff over the past decade. Although SSA has performed considerable recruitment and training activities and has increased the number of computer specialists in systems over the last 5 years, Systems' officials and managers told us that they still lack skilled staff for effective systems' maintenance and modernization.

The number of present and future shortages, however, is not known because SSA has not sufficiently analyzed the number of staff and skill levels needed to implement SMP and maintain the current system. Some of the agency's staff reduction goals depend on ADP systems improvements, which in turn depend on having enough skilled staff. According to SSA, recruiting and retaining skilled ADP staff are hindered by several factors, such as external hiring restrictions and pay scales.

Skilled Staff Shortages Are a Persistent Problem

Shortages of skilled ADP staff have been a problem for several years. In 1981, the commissioner and Systems' officials testified about the lack of sufficient ADP staff with the technical skills necessary to modernize the system. They recommended recruiting technically skilled staff rather than continuing to rely on training former claims clerks and computer operators.

Since then the number of computer specialist staff, such as computer systems analysts and programmers, has substantially increased. From the beginning of fiscal year 1982 to the beginning of fiscal year 1986, the number of computer specialists in the Office of Systems has increased from 994 to 1,507, or by 52 percent. About half of the gain came from external sources—primarily at the entry level. Most of the external gain came from hiring efforts during fiscal years 1982 and 1985, when Systems brought in 201 and 162 people, respectively. In 1985, we reported[9] improvements in staffing resources and training, but noted that SSA officials indicated they still lacked sufficient quality of staff to implement SMP. We noted that while gains of entry level staff helped increase the quantity of staff, it did not immediately contribute to solving the skill level problem. According to an SSA official, it takes about 1.5 years to train an applications programmer in basic software skills, but an additional 4 years of training and experience are needed before the programmer can contribute fully.

In 1986, Systems added 102 persons to its computer specialist staff—including 90 trainees recruited from within SSA. These trainees were primarily claims examiners, most of whom had little or no ADP training. Selections were based on an SSA test given to measure aptitude for ADP.

To improve its ADP skill levels, SSA has been increasing its emphasis on training. In 1983, SSA contracted with the Department of Agriculture to develop and teach courses pertinent to SMP's needs. The number of systems courses offered has increased from 12 in fiscal year 1983 to 117 in fiscal year 1986. The estimated number of "training experiences" (number of people times number of sessions) for fiscal year 1986 is 8,824, an increase of 2,780 over fiscal year 1985. General ADP procurement and contracting courses have also been added during fiscal year 1986.

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[9] Social Security Administration's Computer Systems Modernization Effort May Not Achieve Planned Objectives (GAO/IMTEC-85-26, Sept. 30, 1985).

More than 75 percent of Systems' mid-level managers responding to our questionnaire believe SSA's internal training and development programs for professional and technical staff have improved performance to a moderate degree or more. The computer specialist staff said they had attended an average of 4 formal agency-paid training courses during the past year. On the average, these employees considered the courses to be of adequate quality.

Although the staffing and training have substantially increased over the past 5 years, many Systems' officials and managers are still concerned that they do not have enough technically qualified staff to effectively maintain and modernize the ADP system.

In our questionnaire to Systems' mid-level managers, 87 percent of the 63 respondents said their unit's current staffing levels were less than they needed. Over half said their units had lost staff since fiscal year 1984 and that this loss has had a negative effect on their ability to produce quality work. In narrative comments, nine specifically addressed the loss of technical expertise, talent, or experience. For example:

> "Heavy loss of highly trained personnel has affected the quantity of work, the quality of work, and has had a significant negative effect on morale/frustration levels."
>
> "The employees that left the organization were generally the ones with the highest technical competence and knowledge of the job. Very little time to retrain the remaining staff."
>
> "The loss of experienced analysts meant that some of our tasks took longer to complete. This meant that we were not able to improve the level of automation in some of our processes and were not able to correct as many problems."
>
> "Loss of young technical talent that is extremely difficult to replace. Quality, not quantity, is our problem. I think the quality of our systems staff has steadily deteriorated in the past 10 years."

SSA's loss of technical talent is reflected in the characteristics of computer specialist resignations of recent years. Of 79 computer specialist resignations in fiscal years 1985 and 1986 due to reasons other than death, retirement, or disability, about 67 percent were college graduates, of whom about 35 percent majored in technical subjects, such as computer science, mathematics, and physics; and about 42 percent had over 9 credits of college ADP training This compares for example, to about 25 percent of the remaining computer specialist staff who have over 9 credits of college ADP training. Of these persons who resigned, 62 percent left the federal work force and the others went to other federal agencies.

According to SSA, recruiting and retaining skilled ADP staff are significantly hindered by barriers of noncompetitive compensation and federal requirements (outdated OPM job standards) and procedures for hiring. The former acting deputy commissioner for systems addressed these barriers in an April 1986 letter to an interagency group of senior executives established by GSA to seek solutions to emerging personnel problems facing federal ADP management. He noted that inordinate resources have to be spent to recruit and replace skilled employees who find more attractive job opportunities elsewhere after they have been trained. In August, GSA compiled the recommendations from 25 agency executives and planned to set up work groups to develop and report recommendations to a GSA/OPM oversight group by April 1987.

We also discussed staffing issues with Systems' associate commissioners or their deputies. Of the four interviewed, three expressed concern about the shortages of skilled staff in their units. They commented that the problem was not in the number of staff but in the skill levels. One official, for example, said there is a need to upgrade the Systems' staff and there is a strong need for a continual influx of new ideas from the outside. Another official said that it is also important to upgrade the skills of supervisory staff so they can provide up-to-date technical review of the work.

Overall SSA gained a substantial number of computer specialists between the time SMP began in 1982 and September 1986. However, many had little or no previous ADP training or experience or little or no experience with SSA's computer system. This, coupled with losses of skilled staff, appears to account, at least in part, for SSA officials' perceptions that while the number of staff is going up, the number of skilled staff available is still inadequate. In recognition of its turnover problem, Systems plans to develop a career development program in 1987.

Long-Range Staffing and Skill Level Needs Have Not Been Determined

As we stated in a May 28, 1982, report,[10] SSA had not determined the number and skill levels of ADP personnel—those then employed as well as those who would need to be hired to implement systems modernization. At that time, organizational realignment plans had not been completed, and decisions on the number of contractor personnel to be employed had not yet been made. Currently, however, Systems still does not have a long-range assessment of its ADP staffing and skill level needs. Although Systems' officials generally believe that they need more technically qualified staff to effectively maintain and improve SSA's ADP systems, there is no long-range plan detailing what these needs are or will be, or what strategies they would use to meet these needs.

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[10] Examination of the Social Security Administration's Systems Modernization Plan (GAO/HRD-82-83, May 28, 1982).

SSA officials told us that agency-wide staff reduction goals make such planning of limited value. Instead, appeals are made to the commissioner for exceptions to the hiring freeze as needs arise. We believe, however, that more convincing information could be used to substantiate the need for staff if there were a long-range plan explaining what the long-range needs and alternatives are, including use of contractor or in-house personnel or a combination thereof.

Technical Leadership, Accountability, and Continuity of Leadership Problems

To properly maintain SSA's systems and accomplish a major modernization effort like SMP requires strong leadership that provides technical expertise, accountability, and continuity and control over the entire effort. Further, advice from independent experts with diverse technical expertise is valuable in assessing key ADP decisions. However, SSA has not had the strong or stable leadership necessary. Nor has it used external independent experts as effectively as it could have to provide technical advice on ADP technical decisions or direction.

Since 1976, Systems has had six different leaders. Its top leadership for 5 of the last 11 years has not had substantial ADP technical qualifications, and the heads of Systems for nearly 4 of the 11 years were in an acting status. Further, SSA has not assigned overall responsibility for managing SMP to any one person other than the acting deputy commissioner for systems, who is responsible for managing all other Systems' activities. Accountability is divided among Systems' four associate commissioners and several project managers for various SMP projects.

As a result of these problems, adequate technical leadership was not consistently being provided in several areas critical to SSA's computer system improvement efforts. For example, Systems' top two executives—the former acting deputy commissioner and his deputy—between November 1984 and October 1986 did not have ADP technical backgrounds by education, training, or experience other than that gained in their systems positions. This, in our opinion, limited their ability to provide the technical leadership necessary to effectively deal with issues involved in directing, controlling, and modernizing a computer system that is very large and vital to the nation.

In addition, the former deputy commissioner for systems was in an acting status for about 2 years. In our opinion, and in the opinion of three Systems' officials, this diminished the leadership effectiveness of the position, especially since the position had been advertised twice within the last year.

We recognize that there are positive aspects of having officials knowledgeable of SSA programs and operations among top Systems' leadership. For example, the former top Systems' leadership substantially improved (1) communication between Systems and other SSA organizations and (2) training and development of Systems' employees—both of which have been significant problems.

However, key Systems' officials have expressed considerable concern to us about the lack of sufficient technical leadership, and earlier sections of this chapter discuss several problems that relate to their concerns. These include:

- Insufficient consideration of technical alternatives in terms of costs, benefits, and risks in making key ADP decisions. (See p. 140.)
- Lack of recognition of the risks associated with beginning systems design work before sufficient progress had been made in preparing functional requirements and the need to plan the transition from the existing to the new system. (See p. 140.)
- Insufficient emphasis on completing SET and enforcing completed software development standards and establishing adequate project control and integration mechanisms. (See pp. 144 and 145.)
- Concerns of key systems managers about the lack of sufficient technical direction. (See p. 149.)

In October 1986, Commissioner Hardy changed Office of Systems' top leadership. She replaced the acting deputy commissioner and his assistant. The new assistant to the new acting deputy commissioner has an extensive ADP technical background; this provides SSA with a technical leader in one of its top two Systems positions.

Another factor complicating technical leadership has been SSA's varying use of independent external experts to provide technical advice and consultation. For example, as discussed on p. 142, SSA initially diverted its integration contractor from providing assistance in helping to direct and manage SMP to other tasks. In addition, although SSA has often obtained advice from various external groups on ADP decisions, it did not have a formally designated group of independent ADP experts the commissioner could rely on to provide advice based on an in-depth knowledge of SSA's computer system. According to former Acting Commissioner McSteen, this sometimes made it difficult for her to get the kind of external technical advice she would like to have had.

SSA has been increasing its reliance on a group of private experts it refers to as the Private Sector Council for advice on a number of issues. For example, when SSA was evaluating distributed data processing alternatives, the council advised SSA on technical ramifications of alternative configurations. SSA officials told us that the diverse technical backgrounds and experience of the Private Sector Council members helped in analyzing alternatives. SSA also obtained advice from the council on other matters, such as new SMP projects added for 1987. We believe SSA's use of this group is a positive step and SSA should consistently use this group or other experts on key ADP decisions.

Conclusions

SSA has made progress in modernizing its computer systems in several respects, including considerable hardware improvements and several software improvements. However, it still needs to make substantially more progress in improving software—one of its most critical areas. This has put SSA in a difficult position. It has many operations that are done manually that could and should be done more efficiently, quickly, and accurately by computer. But, it does not have sufficient personnel with the technical skills necessary to effectively complete software modernization and maintain the current system software until modernization is complete.

Foremost among SSA's management control problems is the lack of an operational plan to guide the direction of the modernization effort. Without such a plan, it is unclear whether the modernization effort will result in systems that support the agency's long-range operational goals. By not determining future methods of service delivery, it is possible that systems modernization could lock SSA into ways of providing services that it or its clients may not find appropriate. Also, without the benefit of an operational plan, SSA will continue to be vulnerable to the frequent shifts in direction that occurred in the past.

Further, SSA has proceeded with its redesign effort before completing software standards and has not adhered to standards that have been completed. Although SSA has recently made significant progress in developing software standards, the delays in doing so have contributed to significant delays in the entire redesign effort.

Clearly, SSA faces a major dilemma. If it delays modernization until it has a long-term operational plan and other needed management improvements, it could continue to operate inefficiently. If it proceeds without a plan and with all of its current systems problems, including the lack of adequately trained staff, it could end up with the expenditure of money and time but little real progress. Thus, determining exactly what should be done to maintain and improve computer operations and how to proceed to modernize the ADP systems under these circumstances is, in our opinion, the most urgent and critical problem facing SSA's new commissioner. Her recent action to enhance Systems' top leadership is a good first step. Improvements in SSA's decision-making process, and management controls and appropriate technical expertise to direct SMP, are necessary for SSA to adequately address the many technical issues involved in this problem.

Recommendations to the Commissioner

To help gain better managerial and technical control over SSA's computer operations and modernization efforts, we recommend that the commissioner:

- Complete those aspects of a long-term operational plan that set forth how SSA will deliver services in the future and revise the modernization strategy to be consistent with the service delivery needs. Managers should be held accountable for adhering to the modernization strategy unless changes are fully justified.
- Establish an effective process for making key ADP decisions which is based upon thorough analysis of mission needs, priorities, alternatives, and their costs and benefits and the effect on other aspects of SMP. SSA should continue to routinely obtain advice on major decisions from well-qualified, independent technical consultants knowledgeable about SSA programs, operations, and ADP environment.
- Expeditiously establish effective project control and integration for the modernization effort, including more effective use of an integration contractor to help integrate SMP projects and make the transition from the

old to the new computer system. Reassess whether the location of the ADP procurement review function within the Office of Systems provides sufficient internal control over this process.

- Accelerate the completion of software development standards and implementation of effective enforcement mechanisms. Do not begin software design work until sufficient work has been completed on functional requirements and systems users approve such requirements. Enhance controls over user changes to functional requirements after software design has begun.
- Identify the number, type, and qualifications of ADP personnel needed to carry out the modernization program and maintain and improve the current systems; take steps to obtain the necessary skills.
- Designate a qualified technical manager to lead and be accountable for SSA's modernization effort.
- Periodically survey Systems' staff morale, particularly regarding organizational and management problems perceived as contributing to low morale, to determine whether improvements have resulted.

Because SSA will be dependent on its inefficient existing systems for a longer time due to major delays in redesigning its new system, the commissioner should also reexamine the current allocation of resources and priorities established for maintaining and improving the existing system and redesigning the new one. This reexamination should focus on:

- Developing a clear picture of how the new system will be implemented, including (1) how systems components will be integrated, (2) how SSA will make the transition from the existing system to the new system, and (3) when major redesigned system components will be operational.
- Assessing the effect that problems in the existing system, such as the inefficient software and manual operations, are having on service to the public. Such an assessment should include an estimate of the resources and time that would be required to correct the problems in relation to when the redesigned system will be operational.

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Chapter 12

Better Management Information Would Enhance Control Over Operations

SSA lacks sufficient programmatic and operational management information to effectively and efficiently implement programs, comply with court orders, control operations, and assess program effectiveness. Further, much of the data it does have must be collected and tabulated manually, requiring considerable staff hours to produce and often reaching many managers too late to be useful. As a result, SSA's managers have not been able to identify emerging problems as quickly as possible and have found themselves reacting to rather than anticipating events. Several factors have contributed to these problems, including insufficient performance standards, inadequate automation of management information, and lack of top management attention.

Management Information— a Persistent Problem

Management information is an essential aspect of SSA's management control function intended to close the loop in the system of planning, budgeting, and control. It gives management the information it needs to determine (1) whether the agency is accomplishing its desired results and (2) what actions are needed to improve operational performance.

The lack of efficiently produced, sufficient, and reliable programmatic and operational management information has been a persistent problem at SSA, as shown by internal and external studies conducted over the years.

- The March 1975 Survey of the Bureau of District Office Operations reported that time-consuming manual counting and control methods should be replaced by information produced by automated systems.
- In January 1979, we told Commissioner Ross that manually counting and reporting field office work for the weekly District Office Workload Report and developing data for local management needs cost about 306 work-years annually. Although he said he would automate the report, he left before completing the project, and most of the workload items are still manually tabulated.
- In 1980, an SSA consultant, hired to develop a blueprint for an SSA planning and control system, said SSA's management information reports (1) include massive amounts of data without much discrimination as to their relative importance, (2) frequently report the same data when little or no change takes place, (3) give too little regard to exception reporting, and (4) contain little or no analysis of significant variances, why they occurred, and what is being done to correct them.
- In 1983, Deloitte, Haskins, and Sells, an SSA consultant, reported that SSA's management is drowning in data but starved for information

because key management data have never been accurately identified and properly collected.

- In 1985, SSA documented its management information problems, including inadequate control, erroneous measures, and excessive manual data compilation. It also showed that current systems were not adequately integrated and did not provide the management information required to support decision making.

Despite Acting Commissioner McSteen's initiative to improve management information in 1984, our questionnaire results, structured interviews with top management, and fieldwork showed that management information problems persist. Sixteen of SSA's 36 senior executives, including 11 headquarters and 5 field executives, said management information presents a significant problem. Concerns included the need to prepare too much information manually, late data on claims processing accuracy or timeliness, and insufficient data. Insufficient data primarily referred to the lack of statistically valid data on accuracy at the district office or PSC component levels or on various aspects of the earnings maintenance function.

Programs and policy officials expressed concern about not being able to judge customer satisfaction with SSA service,[1] establish what services customers would like, and determine the extent of compliance with program policies. In addition, managers said that they did not receive good information on the causes of problems because quality assurance samples are too small to be accurate at the district office level and results are not timely. With regard to program considerations, disability program and policy officials said their efforts to implement legislation and comply with court orders were impeded by the lack of automated beneficiary information on such matters as (1) the types of disability—mental or physical—and (2) the expected duration of disability—permanent or temporary.

Insufficient Identification and Use of Standards

To make effective use of management information for control purposes, benchmarks that identify important agency operating standards or expectations must be established. With such benchmarks, information systems can be developed to obtain performance data and identify variances. For operational or production-type activities, such as claims processing, the benchmarks must include measurable performance expectations for meaningful steps in the process against which progress and effectiveness can be measured and judged. Performance expectations should cover such areas as quality (accuracy), timeliness, efficiency (cost), and client satisfaction.

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[1] SSA informed us in January 1987 that it is developing a public satisfaction survey.

Although broad service delivery goals were established, they were usually stated in general, difficult-to-measure terms. In addition, SSA had not set national goals or performance standards for many workloads or services, such as address changes, level of customer satisfaction, or operational efficiency for its components. Consequently, it is difficult to effectively assess or compare operational performance to determine the relative magnitude of problems. This lack of national goals or performance standards could also contribute to the perceived excessive emphasis given to initial claims versus other workloads by some local managers, as reported by SSA's employees. (See p. 218.)

Several SSA components have operational benchmarks to measure and judge the adequacy of their performance for some workloads. For example, SSA's regional offices set specific expectations for their field offices—primarily in the areas of timeliness and accuracy of initial claims processing. The regional offices track results and hold field office managers accountable through merit pay standards. District and branch managers are aware of what is expected of them in these areas. They give considerable emphasis to meeting the expectations and have been generally successful in doing so in recent years.

However, within these same components, other operational workloads are not covered by such benchmarks. The agency lacks sufficient information to adequately measure post-entitlement workloads for timeliness, or accuracy because there is no method for routinely or promptly tracking them. Post-entitlement workloads of concern include continuing disability reviews, changes of address, manual payments, overpayments and underpayments, periodic eligibility redeterminations, services of representative payees, and status changes.

Computer System Limitations Pose a Major Problem

To effectively control operations, management information has to be accurate and timely. However, because of insufficient computer support, SSA prepares much of its management information manually. Seventy-two percent of the mid-level managers responding to our questionnaire, including 74 percent of the district and branch managers and 89 percent of the area directors, said that there is great or very great potential for improved computer support for their management information needs. This belief exists because much of SSA's information has to be manually recorded, tabulated, computed, and analyzed. This results in slower, more costly production of data and the inability to efficiently and quickly produce and/or analyze needed information. For example, regional or area office personnel have to spend substantial time manually transcribing and computing data necessary to prepare the DDS budgets. According to SSA, manually preparing this information is expensive and affords little time to develop future projections or trend analyses.

Other evidence of the inadequacy of management information is the separate information managers keep. Sixty-one percent of the district and branch managers and 58 percent of the area directors responding to our questionnaire reported keeping supplemental performance management information largely because existing information was incomplete or untimely.

Another aspect of SSA's management information problems involves the report format. SSA collects and reports considerable data on the efficiency of its operations. However, the data are not reported in a manner that highlights exceptions or variances and, therefore, are not as useful as they could be. To illustrate, using a computer program, we analyzed and arrayed existing PSC efficiency data to highlight significant variances of PSCs and their components from national averages. The analysis showed considerable opportunities for savings. Two PSC managers we interviewed expressed concern about their inability to manipulate their own data in such a manner because SSA had not given them sufficient computer support.

Computer system limitations also hinder SSA's efforts to control its workloads through its case control systems. SSA's components have 27 independent case control systems to manage their workloads. They have been developed over the years by each component to serve its individual needs. Consequently, SSA has a variety of overlapping and redundant control systems whose data, while similar, are not standard or interchangeable. Because SSA cannot use a comprehensive system to track a particular case through various processing offices, determining its status is difficult and time consuming.

Improving Management Information Will Require Sustained Top Management Attention

Although SSA's management information problems have been recognized since at least 1975, there was little sustained top management attention to resolving them until former Acting Commissioner McSteen established a management information initiative. The SMP initiative—Administrative/Management Information Engineering Plan—involved identifying the critical information requirements throughout SSA and the processes that support them. The primary vehicle under this initiative for providing the data used in workload monitoring, performance management, workload scheduling and forecasting, and resource management is the Management Information for Decisionmaking project. Under this project, a contractor is helping SSA develop information as well as benchmarks for use in determining whether SSA is meeting its goals under its existing service delivery framework. SSA expects to complete this phase of the project by March 1987 and the remainder of the project in 1990. According to a senior official, an SSA data administrator[2] should also be involved in the development of the standards and measures. However, SSA's efforts to locate and hire such a person during the last year have not been successful.

Although Commissioner Hardy has recognized the management information problems and continued these efforts, much still needs to be done, especially concerning the lack of (1) a long-range management information policy, (2) progress in data base integration, (3) progress in completing SMP functional requirements, and (4) effective coordination of component review and evaluation activities.

No Long-Range Management Information Policy

The development of a long-range management information policy is needed for both the short and long term. The policy should identify goals and objectives, specific needs, and the types of information as well as when and how it is to be collected. However, its development has been hindered by the lack of an agency-wide, long-range operational plan that lays out the agency's overall goals and objectives and specific strategies to address them. In the absence of such a plan, SSA lacks the assurance that the standards being developed under the management information project to measure performance will be appropriate because the standards could change if the goals and objectives change. Without both the long-range operational plan and the management information policy, many of the anticipated benefits of systems modernization could be lost if the information needed is not provided as a by-product of computer transaction processing.

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[2] The data administrator helps to see that each user or potential user of a data element or standard has the same understanding of its meaning by sponsoring the development of common definitions for the various data elements or terminology in an information system.

Data Base Integration Progress Slow

Data base integration was recognized as a major problem in the 1982 SMP, but SSA has made only limited progress toward correcting it. For example, SSA has converted all of the major master files from tape to disk storage, made several of its data bases more accessible to users, and developed a data dictionary, among other improvements. However, it still faces major data base problems that will impede efforts to develop essential management information. These problems include critical data bases, such as those used to process post-entitlement transactions and carry out case control functions, that do not contain common or consistent data elements. Although a data dictionary has been developed, all the needed data elements have not been identified and there are no standard definitions for many data elements. Consistent data elements are essential for developing the software for the new computer systems and for integrating the various data bases. According to Systems officials, the data base problems contribute significantly to SSA's problems in developing compatible case control systems and in producing management information, especially as a by-product of computer transaction processing rather than as a separate activity.

A long-standing problem hindering SSA's ability to better manage and integrate its data bases has been the lack of an effective organizational focal point for assuring that consistent and compatible data bases are developed and maintained throughout the agency. Such a focal point is commonly referred to as a data administrator. Although a data administration organization within Systems and a Data Administration Advisory Panel with agency-wide representation serve this role, they have not been effective according to a key senior official. This is due to the part-time and acting status of the official responsible for the data administration function as well as limited staff. According to key SSA senior executives knowledgeable of the problems in the data base area, the success of SSA's management information improvement initiatives is highly dependent on improvements in data base management. Without successful performance of the data administration function, progress will fall short of expectations.

Slow Progress in Completing SMP Functional Requirements

The slow progress in completing the functional requirements for the design of the new computer system also hinders the development of future management information requirements. To the extent possible, management information should be a by-product of the systems it supports. Therefore, a critical first step is to define the functional requirements for the new computer system. Although SSA has not completed these, it has been developing its management information requirements based upon information it has in its current system. Thus, SSA may have to revise its management information requirements when functional requirements for the new system are completed.

Little Control Over Review and Evaluation Efforts

Finally, SSA needs to gain better management control over the review and evaluation activity being done by components. SSA has over 2,000 staff—about 500 in the Office of Assessment, and 1,300 in the field assessment offices and numerous others in various locations—doing evaluative studies. Despite this effort, managers frequently expressed concern about the lack of sufficient or timely management information. Officials under the deputy commissioner for operations and the deputy commissioner for programs told us they have had to establish their own review or assessment capability because (1) the Office of Assessment did not provide sufficient coverage, (2) the information received was not timely, or (3) the information was not helpful in identifying the causes of problems.

Furthermore, SSA did not have an organizational unit that was responsible for overseeing the various reviews and evaluative activities to determine whether (1) management information needed was obtained, (2) information gathered by the various review and evaluative groups was really needed, (3) duplicative efforts were being undertaken, or (4) other components might have use for information already collected.

Conclusions

The lack of national standards or expectations and/or adequate and timely management information on the quality or timeliness of its operations has hindered SSA's control over operations. Despite recognition of this problem over the years, SSA has not made substantial progress in solving it. SSA's current initiatives to address the management information problem should help but are likely to fall short without sustained attention by SSA's top management.

The most efficient and timely way to generate workload management information is to produce it as a by-product of computer transactions processing. SSA's ability to create information in this manner, however, has been hindered by the lack of a management information policy setting forth what information is needed, when, and by whom. Inconsistencies or other problems in SSA's data bases, limitations in SSA's existing computer system, and slow progress in modernizing it have also been major problems.

To enhance its efforts to provide for adequate and timely management information, SSA needs to design its modernized system so that it can generate management information as a by-product of transaction processing to the extent possible. To do this, SSA needs to identify its future, as well as current, service delivery goals and objectives; improve management of its data bases; and provide greater central direction and control over component management information activities, including their review and evaluative activities.

Recommendations to the Commissioner

To help gain better management control over management information, we recommend that the commissioner:

- Develop a comprehensive management information policy commensurate with the agency long-range operational plan.
- Establish performance standards and measures that are based on the goals and objectives in the operational plan.
- Develop future management information requirements based upon the modernized computer system.
- Intensify efforts to improve SSA's data bases and establish an SSA-wide focal point for overseeing and integrating SSA's management information and data base activities, including reviews and evaluations.

Intensify and Sustain Management Focus on Operational Efficiency

SSA has not devoted sufficient attention to improving its operational efficiency. It has been reluctant to establish performance goals or expectations for efficiency, and managers were seldom held accountable for poor performance in this area. Analysis of SSA data shows declining efficiency for some activities and wide variations in efficiency among and within similar organizational units. SSA has not sufficiently benefited from productivity improvement opportunities because it lacked an institutionalized, systematic approach to productivity management.

SSA's management has long recognized the potential for improvements in efficiency and productivity management. Management support for productivity improvement has been vocal at the top, and managers in various components have made efforts to improve productivity in their areas. However, the absence of institutional mechanisms, such as measurable goals and objectives and a focal point for accountability, have limited SSA's ability to improve productivity. Toward this end, Commissioner Hardy recently established the Commissioner's Activity Review and Operations Tracking System, which includes measurable agency objectives and identifies performance indicators for tracking. It also includes objectives for improving productivity among SSA's components and for state DDSs.

Growing Pressures to Improve Productivity

The need for productivity improvement in the federal government has become more important as public pressure has grown to reduce the spiraling growth of budget deficits. Federal managers are being asked to do more with less and are charged by law with responsibility for maintaining and improving the productivity of their organizations. Specifically, the Civil Service Reform Act of 1978 (Public Law 95-454) requires that the performance of senior executives and the productivity of their organizations and employees be a basis for promotions, demotions, retention, pay, and bonuses. Thus, the act links individual performance to organizational performance with the overall intent that accountability be established for productivity.

The current administration has taken several steps to institutionalize productivity management of the government in general and SSA in particular. Through Executive Order 12552 dated February 25, 1986, the administration has established a goal to improve productivity for appropriate functions in federal agencies by 20 percent by 1992. Further, OMB has established a goal for SSA to reduce its staffing by 17,000 full-time equivalent positions by 1990.

OMB Bulletin No. 86-8 provides guidelines for the implementation of agency productivity improvement programs in accordance with Executive Order 12552. It defines productivity as the efficiency with which resources are used to produce government services or products at specified levels of quality and timeliness.

Several years ago, we examined several successful productivity management programs in government and private industry.[1] We found that they have a number of elements in common. First, the organizations place a continued emphasis on productivity by establishing a focal point, top-level support, written goals and objectives, and organization-wide plans. Second, the organizations develop and use meaningful productivity measures to hold managers accountable for improvements. Finally, an organizational culture is created to promote productivity by identifying and supporting improvement opportunities and considering productivity in management actions and decisions. These elements were not consistently present at SSA.

SSA's Culture Did Not Stress Productivity Management or Cost Control

Efficiency is not a deeply rooted value in SSA's culture. SSA strives to get the right check to the right person on time. To facilitate meeting this goal, it closely monitors processing and accuracy rates for various products and services. However, although SSA collects data on the amount of resources used by various units, it does not consistently analyze such data to identify opportunities for improvement.

In our questionnaire to mid-level managers, we listed and defined seven factors for assessing work. We asked the managers to (1) identify the three most important factors emphasized by management and (2) check all those that were considered not as important. Timeliness and quality were the two factors most frequently identified as important, with over 67 percent of SSA's mid-level managers rating one of these factors as most important. In contrast, cost and efficiency were picked as most important by only 8 percent of the managers and were the two factors most frequently labeled as not as important. Figure 13.1 shows these responses.

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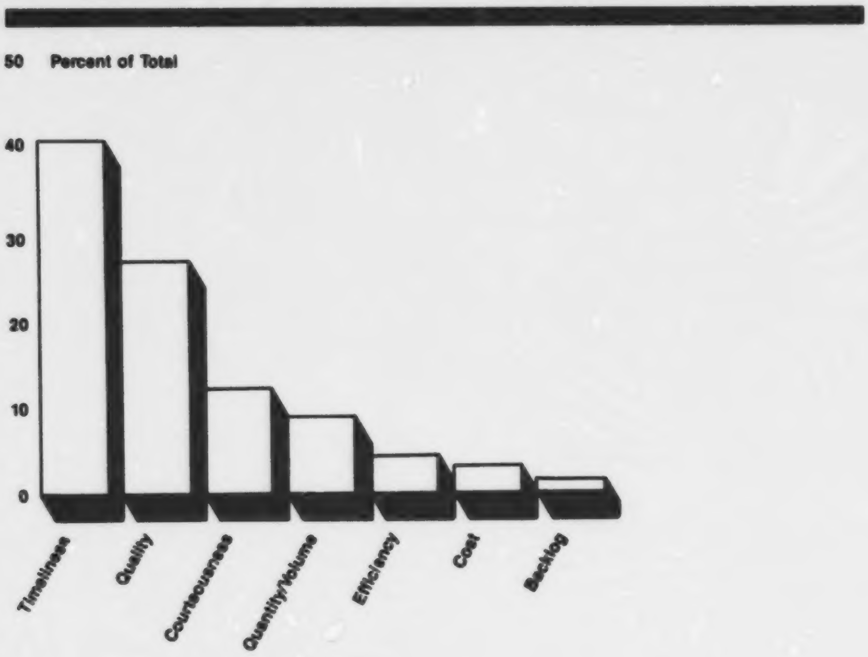
[1] Increased Use of Productivity Management Can Help Control Government Costs (GAO/AFMD-84-11, Nov. 10, 1983).

Figure 13.1: Managers Who Said That Factor Was Most Important



SSA does not have an agency-wide group, program, or system responsible for productivity management. In the absence of a focal point, individual organizations have established piecemeal approaches to manage productivity. The Office of Program Service Centers and the Field Liaison and Support Staff recently assigned headquarters staff members responsibility for monitoring productivity issues. The Office of Disability Operations (ODO) has a specific group that monitored productivity-related factors. However, other offices we contacted—the Office of Central Records Operations (OCRO) and OHA—had no specific persons responsible for monitoring unit performance against expectations, identifying and communicating best operating practices, or seeing that poorer performing units improved their productivity.

Although SSA has developed efficiency measures for much of its line operations, ODO and OCRO—large units that each used over 5,000 staff years in fiscal year 1985—did not collect or use efficiency data to track the overall performance of their organizations. For example, ODO collected workload and productivity data for its line managers to use in assessing performance of individuals in their units. However, these data cannot be summarized to allow ODO to track its overall performance or the performance of its subunits (divisions, branches, or modules).

The productivity provisions in SES contracts and merit pay plans illustrate both the limited efforts to improve productivity and the lack of meaningful measures to hold managers accountable for improvement. We reviewed SES contracts and merit pay plans for managers in regional, area, district, and branch offices, PSCs, ODC, OCRO, and OHA. We found they usually contained only general objectives for improving efficiency and did not provide quantitative objectives to measure progress in improving efficiency. For example, some contained requirements such as "conduct at least one new project to improve efficiency in some aspect of operations." Others noted the need to improve productivity, reduce high unit times, or eliminate unproductive work.

Also, SSA has practices and policies that hinder its ability to improve productivity. For example, SSA allocates staff to its regional offices in a manner that tends to reward less efficient regions by giving them more staff than more efficient regions. SSA has resisted efforts to establish performance standards or requirements that similar offices strive to perform at least at the average performance level for all such offices. We recognize there are valid reasons for some differences in production rates among the regions; however, performance standards or goals could be established on a regional basis to allow for such differences. These standards should be used to determine staff needs as well as to allocate resources. SSA agreed that attempts should be made to reduce the spread in performance among regions. As a result, it reduced the work-years allocated to some regions for fiscal year 1987 in order to narrow the range in production rates.

Other factors also complicate SSA's ability to improve productivity. SSA's top management has been historically committed to a no reduction-in-force policy and reluctant to require employees to change office or geographic locations. These policies are aimed at recognizing the dedication and loyalty of its employees and promoting a favorable work climate. However, such policies limit SSA's ability to match workload and staffing and can put persons into positions where they lack the necessary background or capabilities. For example, one senior executive said that although the 1979 reorganization was aimed at improving efficiency, SSA established other positions to accommodate displaced staff. In many cases, this did not improve efficiency because persons were put into positions where they lacked the desired qualifications or that were not necessary for mission achievement. One adverse consequence of this was the addition of layers of review.

In addition, SSA has often encountered strong congressional resistance when it has attempted to close some of its field offices or reduce their staffing levels. For example, one SSA regional official said that he has identified a number of offices in the region that are overstaffed or understaffed as a result of shifting workloads. These shifts have occurred largely as a result of such factors as population movements and changing transportation patterns. The official said that his previous attempts to shift staff among offices often met with considerable congressional concern about offices losing staff. Consequently, he is now reluctant to propose such shifts.

Over two-thirds of SSA's top senior executives believe that SSA could undergo staff reductions without adverse effects on public service if certain conditions are met. Adequate planning and additional computer system improvements are among the conditions mentioned. However, anticipated resistance from the public and the Congress reduces enthusiasm for pursuing such staff reductions.

Cost Data Not Used to Manage SSA Operations

Holding managers accountable for costs and monitoring their efforts can help SSA improve its operational efficiency and influence managers to be more concerned with these factors in managing their operations. SSA does not use periodic reports on costs to manage its operations, nor are managers generally held accountable for cost of operations in SSA organizational units.

SSA's Financial Accounting System has the capability to produce periodic cost reports for cost centers at any level in SSA's organizational structure. For example, the system can provide comparative cost reports by region, by district office within regions, or by other cost centers SSA management wishes to establish. However, officials in SSA's Office of Financial Resources told us that they generate reports by such cost centers only when SSA managers request them and few managers have requested these reports.

The periodic generation and analysis of historical cost data, current cost data, and projections of future costs can help SSA's management improve its ability to plan, coordinate, and control its operations. For example, analysis of significant cost trends and variations can help establish reasons for differences in efficiency among or within SSA organizational units performing the same or similar functions and can be used to identify opportunities for improvement. Similarly, use of comparative unit cost data could help (1) identify offices needing more or less staff and (2) justify changes in staffing levels or other cost items.

More Focus Needed on Productivity Improvements

SSA needs to begin focusing on productivity improvements, and our work indicates that significant opportunities exist. Although we did not develop trend data on SSA-wide productivity, we identified stable or declining trends in efficiency among components, variations in efficiency among and within SSA components, and variations in the efficiency of practices used within the four SSA components examined.

In computing productivity trends, workload output adjustments should be made for valid changes in work complexity that have occurred at SSA between fiscal years 1980 and 1985. We did not independently make adjustments, but rather accepted SSA's adjustments as they are reflected in the annual weighted work unit count. In computing productivity trends for the OHA, however, workload data were not weighted, and we did not independently attempt to make adjustments for changes in OHA work complexity.

Trends in Efficiency

We examined performance data for three major operating components—field offices, PSCs, and OHA—and the state DDSs, which are funded by SSA and are the operating arm of the disability program. We charted the SSA components' and state DDSs' efficiency from fiscal year 1980 through fiscal year 1985 to analyze trends, and established their 1980 performance level as the base year. We assessed their efficiency by evaluating the amount of work produced relative to the staff resources expended for each of the years covered by the analysis.

The SSA components examined account for over 63,000 staff on duty,[2] or about 76 percent of SSA's total fiscal year 1985 staff. State DDSs expended 12,720 work-years in fiscal year 1985. Figure 13.2 shows that productivity for the operating components examined has been mixed.

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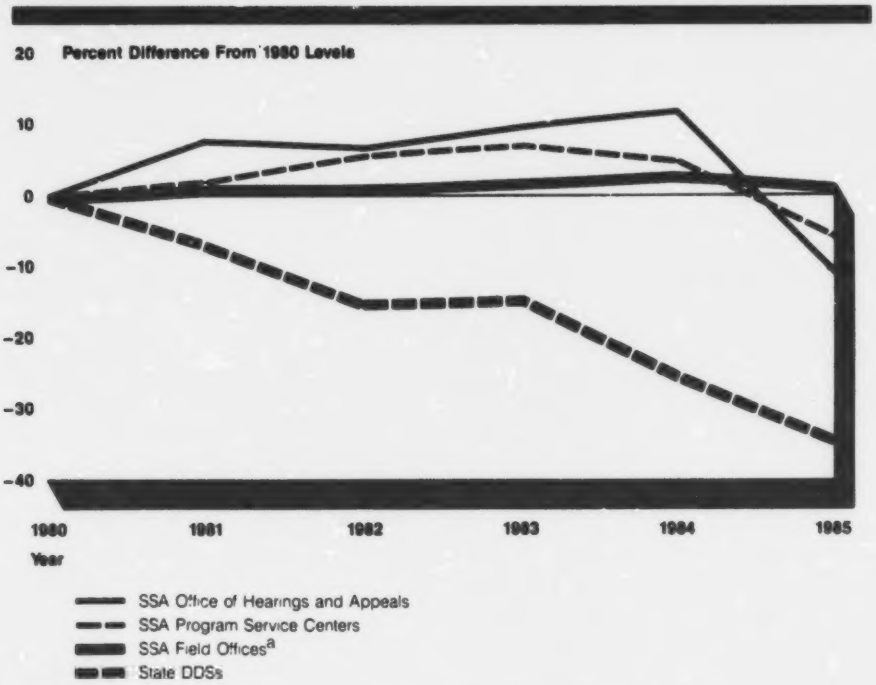
[2] Includes full-time permanent, other on-duty, and employees in the worker trainee, stay-in-school, and summer aid programs.

Figure 13.2: Operational Efficiency of SSA Components (1980-85)



[a] Efficiency data was not available in a usable format in fiscal year 1983 for field offices.

Field office productivity has been fairly stable, and 1985 statistics show a 1.5-percent improvement over 1980 performance. During that period, workload decreased by 7.2 percent and staffing decreased by 8.5 percent. Between 1984 and 1985, field office staff declined by 1,010 staff-years, or about 2.4 percent. This reduction represented about 43 percent of SSA's total reduction of 2,343 staff-years for the fiscal year.

Productivity based on measurable workloads[3] for six PSCs increased slightly from fiscal year 1980 through fiscal year 1983, but began to decline in 1984 with the 1985 level dropping below the 1980 level. Although workloads decreased by over 17 percent from fiscal year 1984 to 1985 in the categories tracked, staff-years were reduced by about 12 percent to process these workloads.

OHA productivity was steadily above fiscal year 1980 performance levels through 1984, but dropped to 12 percent below the 1980 performance level in 1985. OHA productivity declined by over 21 percent between 1984 and 1985 primarily because of the national moratorium on continuing disability reviews in April 1984,[4] which significantly reduced the number of requests for disability hearings.

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[3] This PSC productivity trend analysis was based on recurring measurable workloads which could be tracked over the 5-year period from fiscal year 1980 through 1985.

DDS productivity experienced a 35 percent decline from fiscal year 1980 to fiscal year 1985. Although productivity increased slightly from 1982 to 1983, no DDS region performed at the 1980 performance level from 1981 to 1985. During this period, many events affected productivity levels, including (1) the 1981 startup and the subsequent 1984 national moratorium for conducting disability reviews and (2) major changes in the disability program.

Variations in Efficiency Among Similar Units

We also noted variations in efficiency among or within organizational units performing the same or similar functions in 1985. Figure 13.3 shows significant variances between the most and least efficient offices by regional office groupings and PSCs. For example, using the national average performance level for 1985 as a standard, performance of the most efficient SSA region in 1985 was 28 percent better than the standard, while the least efficient region's performance was about 20 percent below the standard.

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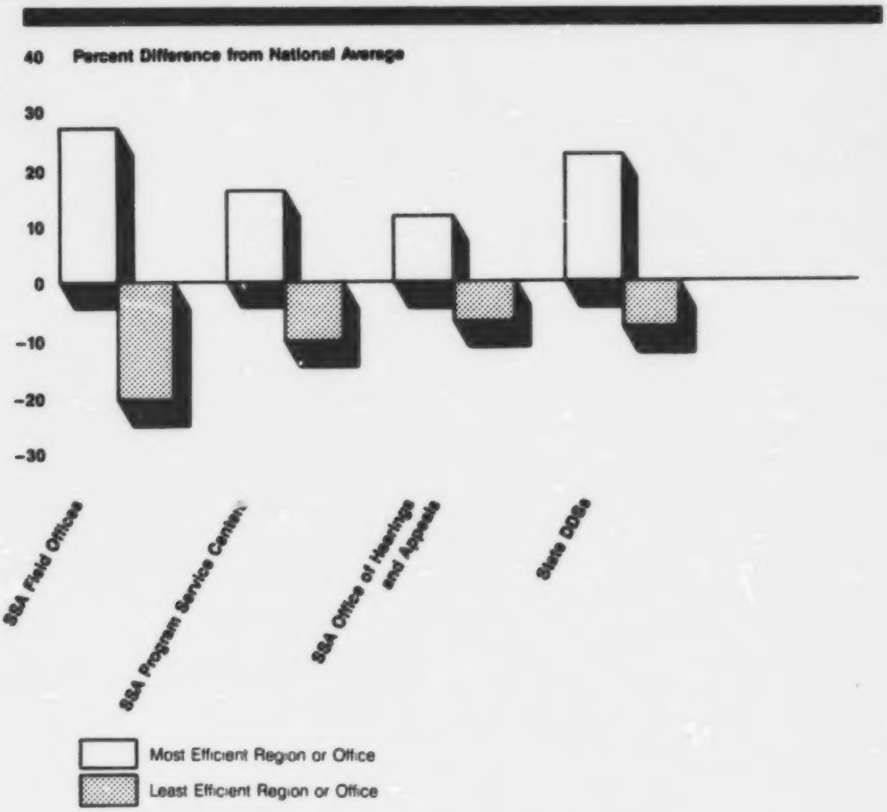
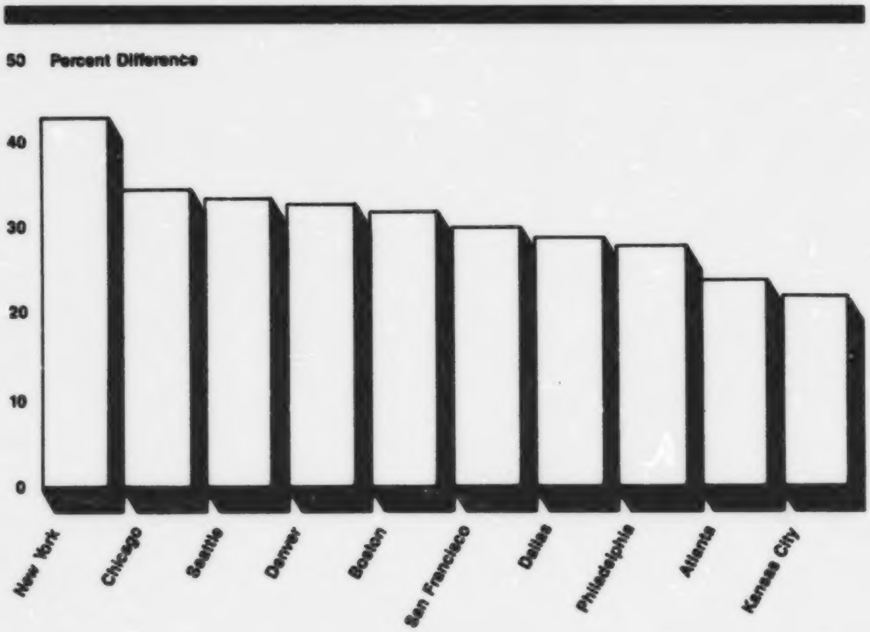
[4] A limited number of cases were not placed under the moratorium until October 1984.

Figure 13.3: Range of Operational Efficiency of Regions or Offices Within Major SSA Components (1985)



Significant variations also exist within lower levels of these organizations. For example, we compared variations among district/branch offices whose efficiency ranked in the highest 10 percent and lowest 10 percent within each of SSA's 10 regions for fiscal year 1984. We found that all regions had significant variations in efficiency among their district/branch offices. The variations ranged from about 22 percent in the Kansas City region to about 43 percent in the New York region. (See figure 13.4.)

Figure 13.4: Percent Difference in Efficiency Between Performance of District and Branch Offices in Highest 10% And Lowest 10% By Region



A major factor that contributes to these efficiency variations is that staffing and workload are not well balanced among similar SSA offices. For example, in February 1986, the San Francisco regional office reported on the results of a study of its most and least efficient field offices. Looking at historical workload and staffing data, the region found that changes in workload occurred without corresponding changes in staffing. The report stated that 10 of the 13 least efficient offices lost work faster than they lost staff and that 8 of the 10 were in metropolitan areas where staffing shifts could have been made. The report also noted that 10 of the 13 offices had low efficiency over several years (productivity had been dropping over a 3- to 10-year time frame). It concluded that SSA's retrospective method of allocating staff, based on an office's historical performance, tends to continue low or high productivity in cases with long-term trends in losing or gaining work.

Following the issuance of our September 1985 report, Improving Operating and Staffing Practices Can Increase Productivity and Reduce Costs in SSA's Atlanta Region (GGD-85-85), we reviewed SSA productivity data for all field offices and found productivity variations in all SSA regions as well as opportunities to improve efficiency. In a letter dated May 20, 1986, we provided information to SSA on productivity variations in all SSA regions and identified smaller offices that handled workloads that were the same as or larger than those of much larger offices. SSA has begun to investigate possible reasons for the disparities and to take corrective action. For example, it reported reducing the average staffing of the St. Louis, Missouri, office from 22 to 18.

In a September 8, 1986, letter to SSA, we identified similar productivity variations at PSCs. Using a computer program, we developed a systematic technique for identifying productivity variations by organizational unit or type of workload with existing SSA data. SSA is now using this and related analytical approaches to identify specific productivity problem areas in SSA regional offices and PSCs.

Differences in Processing Procedures and Quality Control Practices

In September 1985, we reported on productivity in SSA's Atlanta region. We analyzed field office workload processing procedures and quality control practices in 18 offices. Claims activities were flow-charted at all 18 offices visited. Our flow-charting demonstrated wide variations in claims processing techniques and quality control practices.

For instance, the Birmingham, Alabama (downtown), office used 15 more steps than the Richmond, Kentucky, office to process SSI redeterminations. Of the 15 additional steps, 3 resulted from using a locally developed form, 8 were used to control the claim, and 4 steps were additional quality reviews. According to data furnished by SSA, Birmingham did not achieve additional quality as a result of the additional steps. Completion of these unnecessary steps could delay benefit actions. In addition, headquarters management officials told us that such extra reviews are discouraged because they did not result in improved quality.

In December 1985, SSA agreed that our findings in Atlanta apply nationwide. Although variations in field office processing and quality control procedures contribute to variations in efficiency, we are not advocating complete uniformity or consistency among field office practices. We recognize that certain practices that work well at one location may not, for various reasons, work as well at other locations. However, we estimate that if all field offices throughout the nation were able to increase their productivity to the national average, potential savings would total almost $60 million. Accordingly, formal efforts to identify and disseminate information on the best operating practices to local field managers could be beneficial. SSA has recently taken action in this area that should result in improvements.

Our examination of state production per work-year[5] statistics for the first two quarters of fiscal year 1986 showed state DDS productivity also varied, as shown in table 13.1.

Table 13.1: State DDS Production Per Work-Year Through the First Two Quarters of Fiscal Year 1986

Cases processed per work-year	Number of state DDSs[a]
200+	3
150 - 199	26
100 - 149	20
Less than 100	4

[a] Statistics were not available for the DDS in Guam.

SSA officials stated that there are variances among DDS operations that could account for some of the differences in productivity. For example, SSA officials said that different length workweeks (32 versus 40 hours), short-term production surges, and attrition rates are several reasons for possible state variances. In a September 1985 report, Current Status of the Federal/State Arrangement for Administering the Social Security Disability Programs (GAO/HRD-85-71), we noted a significant national variance among DDS examiner caseloads. For instance, a June 1984 SSA report showed that the average examiner's pending caseload ranged from 51 in Montana to 147 in Nebraska, and the average monthly number of cases adjudicated per examiner ranged from 26 in Iowa to 118 in Louisiana.

Although valid reasons exist for some of the differences in DDS productivity, there is still potential for improved productivity through the establishment of performance expectations or standards. Such standards can be adjusted regionally to recognize valid factors, such as different length workweeks. Without such performance standards, large variations in performance are not examined or explained. SSA established a performance goal of 195 cases per work-year for state DDSs for fiscal year 1987 and adjusted that year's budget allocation by comparing all states based on a standard 40-hour workweek.

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[5] All cases processed divided by total state DDS staff.

Ineffective or Slow Action to Improve Operational Efficiency Has Been a Long-Standing Problem

Since at least 1979, various reports and studies by internal and external groups and consultants have pointed out the need for improvements in efficiency and productivity management at SSA. Management support for productivity improvement has been vocal at the highest levels of the agency, and some initiatives have produced positive, though somewhat limited, results. For example, the Workload Management Project initiated by former Acting Commissioner McSteen resulted in effective efforts, such as (1) the temporary transfer of workloads to provide relief to overburdened operations staffs, and (2) an initiative that focused on the elimination of unnecessary title II and SSI system alerts. However, SSA has either discontinued efforts it initiated, not acted, or has been slow in making needed improvements. This is due, in part, to the frequent turnover of commissioners over the last 10 years and a value system that has not placed consistent, long-term emphasis on productivity management. Examples of what happened to various initiatives to improve field office efficiency follow.

- In January 1979, GAO briefed Commissioner Ross and his top staff about a wide range of operational efficiency among the 10 regions. GAO estimated that improving the regions' productivity over 5 years, to the level achieved in 1977 by the upper quartile, could save $227 million or 13,341 staff years. Commissioner Ross responded that the 1979 reorganization of SSA provided an effective vehicle for resolving the matters identified through enhanced management responsibility for and control of systems, operating instructions, and other key functions that directly affected the field offices. Commissioner Ross resigned in December 1979 before completing his reorganization and other initiatives, and the problems persisted.
- A May 1981 internal SSA proposal for strategic planning and major SSA goals cited a consultant's study (the Unit Time Project) that developed industrially engineered standard work times. The proposal stated that the study should be given serious consideration and added that a plan of action would be produced by September 1982 for standardizing work methods where practical. This proposal was not adopted, and the engineered standard work times were never adopted.
- In August 1981, GAO briefed Commissioner Svahn and his top staff about the range of productivity among the regions. GAO estimated that SSA could save $122 million annually if all regions achieved the level of productivity achieved by the top three regions in 1978. In March 1982 we

issued a report[6] to Commissioner Svahn on our findings and recommended that SSA act to improve efficiency. SSA stated that efficiency goals were desirable, and agreed to more aggressively pursue opportunities for automation. SSA added that it also needed more effective measures of productivity and began to develop a management information enhancement project. In June 1982 SSA told us that the establishment of productivity goals would immediately follow the development of effective productivity measurement techniques through the Case Management Control System. SSA later abandoned its efforts to develop this system.

- In December 1984, SSA's former Office of Field Operations issued a report based on a nationwide review of 22 highly productive, good performing district offices. The report identified factors that contributed to high productivity in the offices, including (1) tight control over workloads, (2) efficient reception area practices, (3) emphasis on taking claims by telephone, (4) creative techniques for limiting the effect of service area characteristics on productivity, (5) subspecialization of staff to handle discrete workloads, and (6) accurate work measurement practices. Specific plans for implementing the report's recommendations were not developed.

Conclusions

We recognize that many factors can contribute to the trends and variations in efficiency at SSA. Such factors as changes in the nature and complexity of SSA's work caused by legislation and court orders, discontinuance and resumption of workloads, differences in the ability to acquire and retain high-quality staff among offices, and reporting errors contribute to variations in efficiency. Nevertheless, we believe that SSA's lack of emphasis on productivity over the last several years is a factor contributing to productivity trends and variations in efficiency. The lack of performance goals or standards, an agency-wide focal point, and measurable objectives, coupled with various practices and policies that hinder productivity improvement, form an organizational culture that has not placed strong emphasis on efficiency or cost reduction. Together, these have made SSA slow to respond to opportunities for improvement and reluctant to hold managers accountable for improving operational efficiency. The Commissioner's Activity Review and Operations Tracking System could change SSA's approach to productivity management and significantly improve its operational efficiency, if sustained.

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[6] Social Security's Field Office Management Can Be Improved and Millions Can Be Saved Annually Through Improved Productivity (HRD-82-47, Mar. 19, 1982).

As SSA identifies specific opportunities to reduce or shift staffing, it is likely to encounter resistance from the Congress and the public. We believe SSA will have to develop strategies to deal with this resistance. Improved planning and performance measurement might be steps that can help demonstrate that SSA has considered the ramifications of such actions and has prepared for them, including their effect on service and employees.

Recommendations to the Commissioner

We recommend that the commissioner take the following actions to enhance productivity, without diminishing the organization's strong commitment to providing high-quality service to the public.

- Improve SSA's focus on productivity by establishing more specific expectations for efficiency in SES contracts and merit pay plans as a basis for gauging performance (regional and local variations can be recognized where justified).
- Require the use of work measurement data and periodic cost reports for all SSA cost centers (such as regional, area, and district offices) to identify targets of opportunity for improved efficiency and cost effectiveness.
- Allocate staff resources to similar units (district/ branch offices, PSCs, etc.) based on performance expectations.
- Develop and implement strategies for addressing external factors that could impede improved efficiency. (Section 5 of this report recommends other actions SSA should take to address employee concerns about staff reductions and workload shifts.)

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Chapter 14

Opportunities to Improve Service to the Public Through Better Performance Measurement

Consistent with its history and organizational values, available data indicate that SSA performed well in providing timely and accurate benefit payments and courteous service to the public. However, the agency experienced problems in providing high-quality service, primarily related to issuing clear and accurate notices to the public, implementing timely address changes, and responding to inquiries from Medicare beneficiaries. Performance in these and, to some extent, other areas is hampered by the lack of performance standards or measures. These shortcomings limit SSA's ability to gauge progress toward goal attainment and to identify emerging problems.

SSA Goals Established but Performance Measures Limited

In March 1984, Acting Commissioner McSteen and SSA's deputy commissioners identified four major agency goals or values to guide the agency. These were to

- provide timely and accurate payment of benefits;
- administer the program efficiently and effectively;
- render service to the public in a uniform, courteous, sensitive, and dignified manner; and
- strive toward a positive work climate for all employees.

To support these agency-wide goals and address long-standing problems, they identified eight initiatives for fiscal year 1985 and nine for fiscal year 1986. The initiatives were designed to ensure that agency resources were focused on activities that were most important to the agency.

However, the goals were not accompanied by national standards or desired performance levels to gauge progress toward accomplishment. Agency measures were available for assessing the timely and accurate payment of benefits. However, neither standards nor effective measures existed for (1) assessing how the programs were administered; (2) measuring whether service to the public was provided in a uniform, courteous, sensitive, and dignified manner; or (3) assessing the extent of a positive work climate for all employees.

Shortly after she assumed her position in June 1986, Commissioner Hardy identified the following six priorities for SSA:

- Maintain the fiscal integrity of the social security trust funds.
- Provide the best service to our beneficiaries.
- Improve the way we manage our programs.

- Use the best and most appropriate technology available to administer our programs.
- Recognize and support the vital role of SSA employees.
- Educate the public and improve public confidence in social security.

While there are many similarities between former Acting Commissioner McSteen's goals and initiatives and Commissioner Hardy's priorities, Commissioner Hardy has also set measurable agency objectives, identified performance indicators, included specific results-oriented expectations in SES contracts, and established a formal tracking system for her priorities.

SSA Receives High Marks in Several Areas Involving Service to the Public

GAO reports show that SSA has generally performed well in providing courteous, sensitive, and dignified face-to-face and telephone service. SSA statistics indicate that the agency has performed well in issuing timely and accurate benefit payments.

Courteous, Sensitive, and Dignified Service

In November and December 1984, we made a nationwide survey of SSA clients to assess their perceptions of SSA's service. The survey results contained in the report, Social Security: Quality of Services Generally Rated High by Clients Sampled (GAO/HRD-86-8, Jan. 30, 1986), showed that:

- About 78 percent of clients responding rated the SSA service they received as good to very good.
- About 89 percent said that SSA employees were courteous.
- 88 percent said they had enough or more than enough privacy to discuss their business.
- Over 50 percent of respondents rated SSA's service as somewhat to much better than service received from other government agencies.

In addition, in May 1985, we made over 4,000 test telephone calls to randomly selected SSA facilities to measure the extent to which SSA is accessible by telephone. When we made contact with an SSA representative, we asked a question primarily to bring the call to a close. We also made a judgment on the courtesy and accuracy of the response provided. As noted in our August 1986 report, Social Security: Improved Telephone Accessibility Would Better Serve the Public (GAO/HRD-86-85), over 99 percent of the SSA representatives responded courteously in the judgment of the individual placing the call, and representatives provided an accurate response in over 95 percent of the calls that reached SSA.

Similarly, our contacts with SSA employees and upper level managers indicate that service to the public in a courteous, sensitive, and dignified manner is well integrated in SSA's value system. Ninety-one percent of SSA employees who serve the public believed the quality of their unit's service to the public was good to very good. Public service was rated as SSA's most important value by 87 percent of SSA's senior executives who responded.

Timely and Accurate Benefit Payments

Consistent with SSA's focus on getting the right check to the right person on time, SSA's mid-level managers rated timeliness and quality as the most and second most important factors, respectively, in doing their work. Although beneficiaries are generally satisfied with the service they receive from SSA, they are not in a position to assess the accuracy of calculations and/or benefit decisions. SSA has established numerous measures of quality and timeliness, primarily in initial claims workloads. SSA's data show that it has generally paid benefits in a timely and accurate manner. Following are examples of SSA's accuracy and timeliness statistics as reported to the House Appropriations Committee in May 1986. The first set of examples deals with payment accuracy (that is, dollars paid accurately):

- RSI—99.5 percent[1] (5-year trend stable from 1981-85).
- SSI—96.7 percent (4-year trend up 1.5 percent from fiscal year 1982 through fiscal year 1985).

The next set deals with process accuracy (that is, cases paid accurately):

- RSI—96.6 percent for the quarter ended March 1986.
- SSI—98.1 percent for the quarter ended December 1985.
- DI initial claims[2] —97.3 percent for the quarter ended March 1986.
- DI reconsiderations[2]—95.9 percent for the period April 1985-March 1986.

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[1] SSA excludes errors less than $5 from its RSI payment accuracy measure. This figure also does not include underpayments.

[2] Refers to the medical determination of eligibility for disability benefits as made by the state DDSs.

Likewise, timeliness statistics for processing initial claims and appeals as reported to the House Appropriations Committee for the quarter ended March 1986 showed improvements in categories other than disability workloads. The following items show timeliness in terms of processing time in days:

- RSHI[3] —21.2 days (down from 23.8 in the 4th quarter of calendar year 1983).
- SSI aged—10.8 days (down from 17.6 in the 4th quarter of calendar year 1983).
- SSI blind and disabled—84.0 days (up from 71.8 in the 4th quarter of calendar year 1983).
- DI initial claims—88.0 days (up from 68.6 in the 4th quarter of calendar year 1983).
- DI reconsiderations—73.0 days (up from 50.3 in the 4th quarter of calendar year 1983).

SSA Experienced Problems in Several Service Delivery Areas

While service to the public has generally been courteous and sensitive and payments have been timely and accurate, SSA has experienced problems in providing effective program administration and public service in several areas. Problems, primarily in post-entitlement activities related to issuing clear notices, making timely address changes, and administering Medicare responsibilities, have led to unnecessary public inconvenience, confusion, and concern among beneficiaries, as well as delays in payment actions. Computer systems limitations, which led to reliance on error-prone and less efficient manual processes, are inherent in many of the problems.

Unclear and Incorrect Notices Are Still a Major Problem

One of SSA's most significant long-standing problems in providing quality public service relates to its issuance of unclear or incorrect notices to the public. In general, unclear and incorrect notices are caused by various factors, including limitations or problems in SSA's computer systems, employee errors, lack of adherence to established policy, inadequate review,[4] and the complexity of the programs involved. Also, language of SSA notices has frequently been ordered by courts or agreed to in court settlements. SSA's incorrect or unclear notices have caused confusion, concern, and uncertainty among beneficiaries, while producing additional work for SSA.

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[3] Retirement, Survivors, and Health Insurance

[4] Review of notices that are partially computer generated at PSCs and ODO is complicated because employees responsible for the notices instruct the computer by code on what paragraphs to produce, but cannot see the actual notice on a video display terminal. Review is further complicated because these employees are in different locations from where the notices are printed.

Although various efforts have been made to correct these problems, they still exist. SSA's current effort, initiated in 1984, has made progress in several areas, but problems continue and will persist unless additional action is taken.

Notices are generally correspondence to individuals concerning their benefits or eligibility. Most SSA notices are computer generated, while the balance are manually generated or are a manual/computer combination. Although the total number of notices SSA prepares is not known, computer-generated and manual/computer combination notices amount to more than 40 million annually, according to SSA officials. Because notices are often incorrect or unclear, beneficiaries must frequently contact SSA by telephone or visit a field office to correct an error or obtain clarification. These efforts are often frustrating because SSA's field office employees frequently do not have access to the information needed to explain the notice. The SSA field office employee often has to tell beneficiaries that they will be contacted later with an explanation. In commenting on this situation, SSA headquarters officials said that in most cases they believe field office employees do have access to sufficient information. However, SSA agreed to look into this situation to determine what the problem is and what actions are needed.

Most notice-related inquiries and problems evolve from title II post-entitlement notices. As noted in our February 1981 report, Social Security Needs to Better Plan, Develop, and Implement Its Major ADP Systems Redesign Projects (GAO/HRD-81-47), the notices generated by the computer system in early 1979 were frequently erroneous, confusing, and unintelligible. In some cases, even local office personnel were unable to interpret the notices and had to request assistance from PSC personnel before responding to beneficiary inquiries. For example, the first 11 lines of one such notice issued in 1979 contained the following statements:

> "We received your work report showing that you worked in January through December and earned $3,765.00 in 1978 and that you expect to earn $2,227.00 in 1979.
>
> "Because you did not earn more than $3,240.00 in 1978, we are not required to withhold any benefits for that year.

"Because you do not expect to earn more than $4,500.00 in 1979, we are not required to withhold any benefits.

"The amount of the overpayment will be recovered by withholding $47.00 a month from your benefit payments beginning May 1979."

As shown above, this notice not only contained contradictory information regarding the amount of the beneficiary's earnings for 1978, but also informed the beneficiary that future benefit payments would be reduced to recover an overpayment, even though earlier statements indicated that no such benefit withholding was required.

The first 12 lines of a notice issued in 1986 contained the following statements:

"Our records show that you earned $11,228.00 in 1984.

"If you disagree with this amount, please get in touch with your Social Security office and bring a record of your earnings.

"Based on your earnings on our records, you have been overpaid $2,550.00 for 1984.

"In addition, a late filing penalty will be held back from your benefit because you did not file a 1984 work report.

"Because of information on our records, you have been underpaid $114.00 for 1986.

"You should refund the $6,003.00 overpayment within 30 days. Please make your check or money order payable to Social Security Administration, Claim Number [XXX-XX-XXXX], and mail it in the enclosed envelope."

As shown, this notice also contains contradictory information and shows that unclear notices continue to be a problem. Although additional information was provided on a subsequent page, the information needed for the computation of the $6,003.00 overpayment had to be gathered from data on two separate pages of the notice. As was the case in 1979, field office personnel told us they are frequently unable to explain notices and must get help from PSC personnel who have access to the recipients' records before responding. This situation exists even though SSA's notices direct recipients to contact any SSA office for further information.

Many SSI notices are also unclear or confusing. For example, in October 1985, SSA's Office of Supplemental Security Income reported that several service representatives from one field office noted that fluctuating income leads to notices that recipients interpret to mean that their benefits are being terminated rather than suspended for 1 month. This specific notice problem has been addressed through the Notice Clearance Process. SSA modified SSI notices in September 1986 to explain that the termination of benefits could be temporary.

In a March 1986 report on an assessment of one field office's administration of SSI, SSA's Office of Supplemental Security Income found deficiencies in each of the 23 notices reviewed. The report stated:

> "No special procedures exist . . . to assure that manual notices meet minimum standards of quality and accuracy. Although the OS [Operations Supervisor] performs a 100 percent review of initial claims and redeterminations, the majority of DO [District Office] prepared notices are in overpayment cases, which are not routinely reviewed."

SSA is now evaluating the results of the Field Office Notice Quality Improvement Plan, which was implemented in January 1986. As a result of this evaluation, SSA is considering requiring a 5-percent random review of correspondence sent to the public, including overpayment notices. The correspondence will be reviewed for content, as well as clarity, structure, general appearance, and typographical errors.

SSA currently issues about 900,000 SSI overpayment notices each year, and all are prepared manually in field offices. In a January 1979 report, Social Security Should Improve Its Collection of Overpayments to Supplemental Security Income Recipients (GAO/HRD-79-21), we recommended that the SSI system be modified to provide automated overpayment notices directly to recipients. This could be done when the overpayments are detected as a result of computer data exchanges with other federal benefit-paying programs. In our view, such action, if effectively taken, would have (1) relieved the field offices from having to take time to manually prepare and mail overpayment notices to every overpaid recipient and (2) helped increase the likelihood that an overpaid recipient receives timely notification.

As of September 1986—over 7 years later—the SSI system has not been modified to provide automated overpayment notices. This results in less efficient and more error-prone manual preparation of notices. SSA expects to automate about 50 percent of SSI overpayment notices by early 1987. As an interim measure, SSA has provided word processing equipment to less than half of its field offices, which together handle 85 percent of the national workload. It also plans to install micro-computer equipment with word processing capability in its field offices within the next year.

Although the total number of confusing or incorrect SSA notices is not known, it appears to be substantial. According to our 1984 survey of SSA clients, 67 percent of clients responding believed the mail they received from SSA was generally easy to very easy to understand; nevertheless, about 50 percent of beneficiaries who received various types of mail from SSA found it necessary to contact the agency for clarification. Also, two reports prepared by SSA's Office of Assessment in 1985 indicate that many poor quality notices are issued. One report concluded that quality of RSI notice content is generally poor, including notices prepared by the computer system. Another report concluded that while SSA's pilot effort to obtain mid-1984 earnings estimates from beneficiaries was generally very successful, over 50,000 beneficiaries received the wrong notice, and about $20 million in benefits were withheld or paid incorrectly due to several factors, including computer system problems.

According to various SSA officials involved in the notice process, several factors account for SSA's slow progress in resolving its notice problem. These include:

- Lack of sustained management attention and leadership and an integrated, agency-wide planning system.
- Fragmentation of responsibility and lack of accountability due to organizational structure problems.
- Changing SSA leadership and lack of sufficient priority within SSA's Office of Systems—partly due to limitations in SSA's planning efforts.
- Fundamental computer-related transaction processing problems related to poor quality notices, particularly in the title II post-entitlement area.[5]
- Management emphasis on initial claims relative to other work.

SSA's recent initiative to improve notices—the Issue Clear Notices Project—was established in 1984 by Acting Commissioner McSteen. This effort, under the direction of the deputy commissioner for operations, has resulted in a number of positive actions. These actions include developing SSA-wide standards for notice preparation, continuing efforts to reformat notices and improve the language, setting up a notice clearance staff, and sampling notices to check quality. Also, SSA has held six notice-writing workshops and plans to hold additional training sessions and to test notice language with the public.

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[5] According to a Systems official, SSA has corrected individual problems in its computer system as they have been identified, but it has not addressed the generic problems in the software because this has not been identified as a priority in the ADP planning system.

While these efforts should help, the problem will not be fully resolved without more action. Additional supervisory attention to and review of notices are steps that can help reduce errors and improve the clarity of notices in the short term. However, correcting computer-generated notices is a more complex problem. According to SSA, the title II post-entitlement area accounts for much of SSA's unclear or incorrect notices problem. This problem cannot be fully resolved without significant software improvements.

SSA has looked primarily to SMP to improve notices. However, it will be several years before a new system for generating post-entitlement notices is on-line and working effectively. According to an SSA official, without significant improvements in computer software, the Issue Clear Notices Project will result in largely "nicer looking confusing notices."

After our discussions with SSA senior officials on this issue, SSA recognized that an interim improvement plan was required while awaiting implementation of systems modernization. As a result, the agency is developing a plan for enhancements that can be made within the next 2 years.

Changing Addresses

A number of internal SSA studies and memorandums have highlighted lengthy delays between beneficiary requests for changes of address and the actual mailing of checks to the new address. However, no sustained efforts have been implemented for improvement. A summary of the findings from internal studies follows.

- Only 10 percent of change of address reports result in changing the next check.
- Of the approximately 70,000 nonreceipt of check claims filed each month, one-half involve a recent address change.
- SSA cannot process an address change filed in advance. By the time a service representative is sure a change input will not erroneously change the current month's check, it may be too late to change the address for the following month's check.

A complex interaction of systems limitations, employee misunderstandings of SSA computer systems operations, and Treasury cut-off dates are among the reasons for SSA's poor change of address service. These problems impair service to the public and create unnecessary work. SSA plans to improve its computer system to better handle address changes by late 1987.

Responding to Medicare Beneficiaries

SSA estimates that it expended over 3,000 work-years on Medicare activities during fiscal year 1986. SSA field office personnel have been frustrated by a variety of problems related to providing adequate service to Medicare beneficiaries who seek assistance. Field office personnel are often not aware of Medicare initiatives, especially in relation to new legislation, which have caused numerous changes in the program over the last several years. POMS instructions are not issued timely, and HCFA has focused its efforts on issuing operating instructions to Medicare carriers and intermediaries as opposed to SSA field offices. Also, the inability of some Medicare contractors to handle all of their telephone traffic has led to increased numbers of Medicare inquiries at SSA field offices.

A February 1986 internal SSA memorandum linked these problems, in part, to reorganizations. A common thread in the Medicare situation is the inadequate communication between SSA and HCFA and undefined component roles and responsibilities. SSA field office employees are often unable to promptly get information from HCFA or resolution of beneficiary problems in the Medicare program, which results in poor public service as shown by the following examples.

First, SSA field office employees frequently cannot answer basic questions asked by Medicare beneficiaries, such as, "Was my Medicare bill paid?" or "When will my Medicare bill be paid?" without contacting HCFA or the contractor for information. According to field office service representatives, this is very frustrating because the notices and other public information tell beneficiaries to contact the SSA field office if there are any questions.

In a second example, field office employees from one district office tried from June 1985 through March 1986 to have Medicare eligibility established so that a beneficiary's medical bills could be paid. About 75 contacts had to be made between the field office, regional and central SSA offices, HCFA, the Medicare contractor, and the beneficiary to resolve the problem. The problem involved difficulties in linking SSA and HCFA data systems and affected establishing Medicare eligibility at HCFA, issuing a Medicare card, and paying Medicare claims. In April 1986, as a result of these difficulties, an SSA San Francisco regional circular advised field

offices of an ongoing computer system problem that had been affecting retirement and disability beneficiaries since the beginning of 1984. The circular said interim steps were being taken to address the problem until a more long-term solution could be made.

In another example, in March 1986, a PSC requested a field office to follow up on an October 1985 HCFA death notification. Field office employees, through a phone call and an April 1986 visit to the beneficiary, found that the beneficiary was still living and forwarded the information to the PSC. The field office service representative said the erroneous death notification and contact by SSA greatly upset the beneficiary. The computer system automatically suspended the beneficiary's benefits, and the field office received another PSC follow-up request in May 1986. The service representative again informed the PSC of the beneficiary's status.

In July 1986, the Medicare information system available to the service representative showed that the death notification had been removed. But, in early August, the beneficiary complained that Medicare notified him that he had died on October 23, 1985, and that his medical bills were being rejected. The beneficiary sent a letter to the local social security office (as the Medicare letter directed him to), stating that he was still alive.

In August 1986, the service representative called a "Medicare Hotline" at the regional office and was told to call Medicare, and to call back "if there were problems." After numerous attempts over 10 days, the service representative contacted Medicare and was told that the Medicare computer records still showed that the beneficiary was dead, while the Medicare information she could access showed the beneficiary was alive. The Medicare employee asked the service representative to obtain another Medicare system query and then send it to HCFA. The service representative said it would take another 3 to 10 days to get the query, and then more time to mail it to the Medicare employee before anything else could be done.

According to an SSA district office supervisor, this type of situation occurs in his office a few times every month. Both he and the service representative said these situations are upsetting to the beneficiaries, are frustrating to employees because they cannot help the beneficiary and have difficulty getting quick resolution, and reflect poorly on them because they appear incompetent to the beneficiaries.

Other Problems Providing Uniform, Sensitive Service

SSA has not met its goal of providing uniform service to persons throughout the nation for a variety of reasons. These include service delivery variations among SSA's offices and differences in administrative practices among SSA offices and DDSS.

For example, in our 1985 survey of access to SSA by telephone, we found that callers experienced easy access to SSA's teleservice centers from 26 percent of the time to 97 percent of the time depending on which center was called. According to several SSA headquarters and field office managers, this variation could result from a large volume of call activity combined with factors ranging from staffing imbalances to problems with managing line and trunk configurations.

Since the inception of the mandated continuing disability reviews in 1981, there has been controversy over the reexamination process. The 1980 Disability Amendments required SSA to review, once every 3 years, cases where disability was not permanent. The review process resulted in large numbers of beneficiaries being dropped from the rolls and in complaints to the Congress regarding insensitive service. In addition, a high percentage of beneficiaries who chose to appeal their removals won their cases.

Much of the controversy with the reviews concerned whether medical improvement had to be shown before an individual on the disability rolls was terminated. In 1983 and 1984, 18 state DDSS were ordered by their governors or federal courts to stop processing terminations or to provide evidence of medical improvement before terminating disability beneficiaries.

The confusion and public outcry resulted in the Secretary of HHS establishing a national moratorium on all continuing disability reviews in April 1984.[6] In October 1984, Public Law 98-460 established, among other things, a medical improvement standard for the reviews.

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[6] A limited number of cases were not placed under the moratorium until October 1984.

National Performance Measures Have Not Been Established for Many Services or Workloads

While SSA has established broad service delivery goals, it has not established national goals or performance standards and measures for many of the workloads discussed in the preceding examples, such as address changes and Medicare services. Nor does it have performance standards for several other types of workloads or services, such as telephone service provided by district/branch offices or statewide answering units or the timeliness of its overpayment recovery efforts. Consequently, it was not in a good position to identify the extent of existing or emerging problems or exercise effective control over operations by comparing actual to expected performance.

For example, it is unable to readily determine when or where in the process overpayment recovery backlogs are occurring. Furthermore, SSA currently does not systematically obtain information from the public on their perceptions of the quality, efficiency, timeliness, or effectiveness of service. This type of information could help SSA's top management identify and take timely action on potential problems related to both service delivery and work environment. SSA is developing a request for proposal to contract out all phases of an ongoing client survey.

In October 1986, SSA established objectives and measures for several of its services and workloads. These include (1) increasing the timeliness of earnings records postings, (2) reducing its backlog of earnings records discrepancies, (3) improving the clarity of notices, (4) reducing overpayment recovery backlogs, and (5) improving satisfaction among users of SSA services. Commissioner Hardy plans to track SSA's progress in meeting the performance objectives established through her operational tracking system. In addition, the Office of Assessment is establishing a system to review selected post-entitlement activities in field offices. The system will measure the effectiveness and accuracy with which beneficiary problems, questions, and reports are handled and is scheduled for implementation in the spring of 1987.

Conclusions

SSA's action to establish standards and measures for the quality of notices to the public and other areas is an important step in improving services to the public. However, SSA has the opportunity to more effectively provide high-quality service by developing national performance standards and measures for several other important services, such as address changes and assisting Medicare beneficiaries. Without standards or measures, SSA is not in an optimum position to control its operations by gauging progress toward goal attainment and identifying emerging problem areas. Such tools are vital in SSA's changing environment as the impact of operational changes must be judged in terms of their effects on service to the public.

Recommendations to the Commissioner

We recommend that the commissioner:

- Establish national performance standards and measures for important services, such as address changes and services to Medicare beneficiaries.
- Hold managers accountable for meeting performance standards.
- Consider what additional actions are necessary to improve notices sent to the public and SSA's ability to respond to recipient questions. Specific areas that need to be considered are (1) expediting necessary computer system improvements, (2) holding employees and supervisory personnel more accountable for notice quality, and (3) determining the extent to which SSA field offices have sufficient information to explain notices to recipients.
- More systematically identify field office problems in serving Medicare beneficiaries and promptly develop resolutions. Assistance should be sought from the Secretary of HHS, if necessary.

Improve and Maintain Work-Force Quality and a Favorable Work Climate

To efficiently and effectively administer its programs, SSA needs a high-quality motivated work force. During a period of substantial operational change, such as SSA is currently experiencing, research shows that careful attention must be paid to the following aspects of employees' work climate.

- Pay and benefits.
- Working conditions.
- Supervision.
- Promotion potential.
- Job security.
- Respectful treatment.
- Job satisfaction.
- Information on change.

Many of SSA's managers and employees expressed satisfaction with certain aspects of the areas of pay, working conditions, supervision, and job satisfaction. In addition, they demonstrated a high degree of commitment to SSA's mission and its most important value—providing high-quality service to the public. On the other hand, managers and employees were not very satisfied in the areas of promotion potential, job security, and information provided to them by management about changes. This dissatisfaction has evidenced itself in low morale and several other emerging problems, which include an increasing heavy pressure on individuals to complete workloads as SSA continues to cut staff through attrition and a potential leadership crisis if large numbers of senior and mid-level managers choose to retire soon and SSA does not develop suitable replacements.

Although SSA has recognized the value of providing a favorable work climate, it has done little to measure work climate or develop a plan to improve it. As a result, SSA has not been fully aware of the employee concerns mentioned above. Unless SSA takes a more aggressive approach toward demonstrating concern for its employees and developing new managers, morale, dedication, and leadership could deteriorate to the point where productivity and quality of work would suffer significantly.

Much of the material included in this section was primarily developed from the information provided to us by SSA's senior executives, managers, and employees in interviews or questionnaires. While we were able to verify some of this information, time did not allow us to verify all of it. However, in most cases the unverified information was consistently provided by a large number of the interviewees or respondents; consequently, we believe that it should be reported to SSA's management for consideration. As such, much of this information is opinion, attributable either to SSA employees or GAO, as noted.

Commissioner Hardy stated in her comments on this report that maintaining the quality of SSA's work force and work climate is among her highest priorities as SSA undergoes major changes. She said she will carefully consider our findings and recommendations in this area. As part of her Commissioner's Activities Review and Operations Tracking System, she established an objective to provide employee growth and job enrichment through six major activities. These activities included developing a plan for increasing employee award amounts, implementing a comprehensive management and career development program, and improving communications with employees including a plan to assess their concerns.

These actions should reduce many concerns of both employees and managers. However, they do not address all of the concerns. For example, more needs to be done to deal with problems that field offices are experiencing in developing and retaining quality operations supervisors, and in resolving the inherent conflict between maintaining production goals and providing substantial training for employees, while absorbing staff cuts. It is unclear whether SSA's new management development programs will address problems associated with the potential for a large number of upper level management retirements. And it is still unclear what specific steps will be taken to (1) measure and improve work climate, (2) communicate timely to employees more information on planned operational improvements and their effects on staff, and (3) assess the emphasis given by managers to initial claims production goals.

Demonstrate More Concern for Employees During Change

SSA is undergoing a number of major operational and managerial changes, including staff reductions, computer modernization, and workload shifts. SSA employees told us these have had and could continue to have substantial effects on staff morale and productivity. Recognizing this, SSA has taken several steps to show its commitment to protecting staff interests; however, these actions have not been sufficient to allay staff fears about management's intentions and concern for them during this period of change.

SSA Is Undergoing Numerous Major Managerial and Operational Changes

SSA is undergoing a series of substantial changes. In 1985, at OMB's direction, it began planning and implementing a 20-percent work-force reduction (about 17,000 people) to be accomplished over the 6-year period ending in 1990. Although the target seems to be arbitrary, we believe that OMB's and SSA's presumptions were that (1) planned systems improvements could reduce manual work and (2) there was also room for improvements in SSA's operations, thereby requiring fewer staff.

As discussed in chapter 11, SMP is intended to improve service to the public through improved accuracy and timeliness in its claims, post-entitlement, earnings maintenance, and enumeration functions. According to SSA, it should reduce many manual processes and some of the associated staff. However, it will require retraining the remaining staff to perform newly automated tasks. Accordingly, SMP is surrounded by considerable uncertainty as to (1) the number and types of staff that will be downgraded or no longer needed, (2) which staff will need to be retrained to perform new tasks, and (3) whether remaining staff will need to be relocated to balance individual office needs and workloads.

In addition, all federal agencies are being affected by government-wide budget reductions associated with the Gramm-Rudman-Hollings legislation aimed at reducing federal expenditures. SSA reported reducing its full-time equivalents by 1,180 for 1986 to comply with this legislation. According to SSA officials, SSA will not have reductions attributable to Gramm-Rudman-Hollings in 1987, but additional staff reductions may be needed in future years, depending on the extent to which annual budget deficit targets are met. Employees feel uncertainty about the future effect on their jobs and activities as they read and hear about these actions and those of other federal agencies in their efforts to meet the legislation's goals.

SSA is also embarking on a major workload shift as it attempts to improve efficiency and streamline operations by transferring much of the final claims authorization workload from its PSCs to its district offices. Also, while SSA has not announced plans to reduce the number of field offices, it has recently conducted its first comprehensive review of the location, size, and need for field offices. This has raised questions in the minds of field personnel regarding the future field structure. These questions take on particular significance considering that in 1983 the Grace Commission recommended a reduction from about 1,300 to 500 in field offices. Finally, on June 26, 1986, a new commissioner assumed office. While a change in commissioners has become somewhat routine (there have been 10 different top executives in the last 13 years), it means another new leadership style and possible changes to some of the plans and priorities for the agency, as has happened in the past.

Management Efforts to Minimize Effects of Changes

SSA has taken several steps to reduce the negative effects of changes on staff. First, when the 17,000 person staff cut was made public, management said it would be implemented over a 6-year period using attrition rather than layoffs of staff. This, it was hoped, would allay employees' uncertainty about their jobs and help maintain productivity. Second, when systems changes were being planned, representative groups of field office staff were consulted to obtain their perspective on user needs. SSA has also given some upper and mid-level managers training on how to deal with change in general, which may help them accept and manage changes more readily. In addition, SSA entered into an agreement with the American Federation of Government Employees in June 1985 to deal with various personnel and other issues arising from the implementation of SMP. While the agreement continues to be in effect, management and union officials believe its chances for success are questionable because of disagreements between them regarding the role of the union in making decisions.

SSA Employees Are Concerned About the Effects of Changes

Despite top management's assurances that it would protect the work force, employees and mid-level managers are still concerned about the effect of staff reductions and other operational changes. Sixty-three percent of the claims and service representatives and about 79 percent of the computer specialists said that management did not demonstrate much concern for them when major organizational or operational changes were made. In addition, about 32 percent of mid-level managers said that management did not give much consideration to human factors, such as fear of change and the concerns of affected staff, before making operational changes.

Some PSC employees we interviewed were concerned about their future duties and responsibilities, including the nature of their jobs, their grade levels, promotion opportunities, and the possibility of being asked to move to district or branch offices. They said that they have not been kept fully informed about their futures as SMP progresses and the continuing shift in authority is transferred from PSCs to field offices.

Some field office personnel were concerned that work pressures on them would substantially increase because new automated processes would have to be learned, while management would continue to stress maintaining quality and timeliness statistics for their normal workloads. For example, the claims modernization project, which requires considerable staff training time as well as a learning curve that includes probable short-term productivity losses, is being implemented in field offices at the same time that staff are being cut. The placement of personal computers for use in field offices is also scheduled to take place during this period. This means that there will be several situations where staff will need to devote valuable work time to learning new processes. Individual employees made the following comments to us:

- The implementation of claims modernization in the district had a generally negative effect on employees. Claims representatives had to meet previously established processing goals, but they were not given any credit for the additional work required by the new system. Although, during the initial learning phase, it takes longer to process claims through a new system and it requires additional training to do so, management has not given up on its expectations.
- To become proficient on the modernized ADP system, staff will need a lot of training. There is not enough time available for staff to complete routine workloads and be trained to use the new system. This has caused the pending claims workload to grow substantially in some locations. Employees felt pressure to work overtime and weekends.

In addition, many district office employees we interviewed were concerned about the effect of restarting the special disability reviews to determine if individuals continue to be eligible for benefits at a time when staffing will be decreasing. Employees expressed concern about the time necessary to interview beneficiaries (up to 2 hours each) and the extensive paperwork involved in conducting these reviews. Several district office staff also expressed concern about what they perceived to be unclear SSA policies on the continuing disability review process.

Comments provided by Office of Systems employees on our questionnaire included concern about (1) the frequent changes in SMP direction, (2) changes in Office of Systems' emphasis, and (3) the subsequent abrupt shifting of employees from project to project.

Reasons Why Employees Have Negative Perceptions

Our work suggests several possible reasons why employees and mid-level managers perceive that top management does not sufficiently care about human factors during periods of change. These include the following:

- Inadequate communication by SSA of the details of planned changes (their benefits and anticipated problems). This would include anticipated adverse effects on employees and how management intends to address the problems, and progress made toward implementing changes and resolving problems.
- SSA has not demonstrated by action that management is attempting to address employee concerns about diminished opportunities for advancement. About 70 percent of the nonmanagerial employees said that promotion potential was an important or very important motivating factor, yet about half indicated dissatisfaction with their advancement opportunities. More than half of the employees believe there is low morale in their units, and they believe lack of promotion potential is the number one reason. Employees selected "enhance promotional opportunities" more frequently than any other management or operations change they would make.
- SSA may not have given employees sufficient opportunities to provide their views on what SSA-wide changes might be appropriate or how desired changes can be best approached. About 60 percent of the nonmanagerial employees (about one-third for computer staff) said their advice was not solicited on decisions regarding the numbers of workers needed to handle workloads, the numbers and types of equipment needed, and the best way to deal with increased automation.
- SES and merit pay standards stressed timeliness and production goals, but did not provide appropriate time allowances for employees to learn new procedures and techniques. About half of the employees (excluding the computer staff) and field mid-level managers who believed morale to be low in their units also believed that a major contributing factor was that too much emphasis was being given to timeliness and production expectations. SSA standards need to recognize the time investment needed for training on new automated processes, claims authorization, etc., until these processes become routine.

In October 1986, SSA established an objective, as part of Commissioner Hardy's operational planning and tracking system, to improve communication with employees and increase their awareness of management's goals. SSA plans to complete development of a plan for this objective and begin implementation in early 1987.

Conclusions

Many SSA managers and employees believe that before making major operational changes, SSA's upper level management has not given sufficient attention to such things as fear of change and concerns of affected staff. Although SSA has attempted to communicate with its employees on changes planned or underway, its efforts have not had their desired effect on demonstrating its concern to employees. SSA's plans to improve communications with employees should help to alleviate employees' negative perceptions about management's concern for them.

Recommendations to the Commissioner

We recommend that the commissioner:

- Improve communications with employees on major changes planned or underway, their benefits and possible adverse effects on employees, actions planned or being taken to address these problems, and progress being made. Priority should be given to better informing them on more specifics about staff reductions and systems modernization.
- Assess what can be done to address employee concerns about diminished advancement opportunities. Restructuring jobs or reevaluating grade structures for employees assuming greater or more complex responsibilities as a result of increased computerization and/or shifting of responsibilities among units should be considered.
- As part of her initiative to improve communication with employees, further encourage managers and supervisors to solicit employees' advice on SSA-wide changes needed or how to best deal with various changes.
- Reassess SES contracts and merit pay plans to see that work production goals give consideration to the time employees need to learn new techniques during SMP implementation.

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Chapter 16

Improve Management Development Efforts

Developing qualified, experienced, and effective managers is critical to the success of any organization. While SSA traditionally enjoyed a favorable reputation in the federal government for the way it managed programs, this has eroded over the last 10 to 12 years, particularly in the computer systems and disability areas. SSA will need to depend on its managers to reverse this trend and deal with emerging management issues. However, this will be complicated by the fact that its current management ranks could be depleted by retirements and its development efforts for new managers are inadequate.

Many SSA Managers Could Retire Soon

SSA information shows that it could experience retirements[1] in the ranks of its upper level managers over the next 5 years that could have a major effect on the agency's overall management. For example:

- 41 percent of SSA's SES corps will be eligible for optional retirement, including 35 percent of the headquarters SES staff and 75 percent of the field SES staff. Another 42 percent of the SES corps would be eligible for early retirement.
- 55 percent of the Grade 15 managers will be eligible for optional retirement, including 31 percent at headquarters, 66 percent in the field, and 64 percent in OHA. Another 21 percent of the Grade 15's would be eligible for early retirement.
- 40 percent of the Grade 14 managers will be eligible to retire, including 28 percent in headquarters, 54 percent in the field, and 44 percent in OHA. Another 37 percent of the Grade 14's would be eligible for early retirement.

The potential effects on individual organizational components by type of retirement can be seen in figure 16.1.

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[1] These represent potential retirements which could be allowed by "optional" retirements routinely permitted at the option of federal employees who meet eligibility requirements beginning at age 55; and/or a special "early out" authorization which has been considered by SSA, if requested by them and approved by OPM.

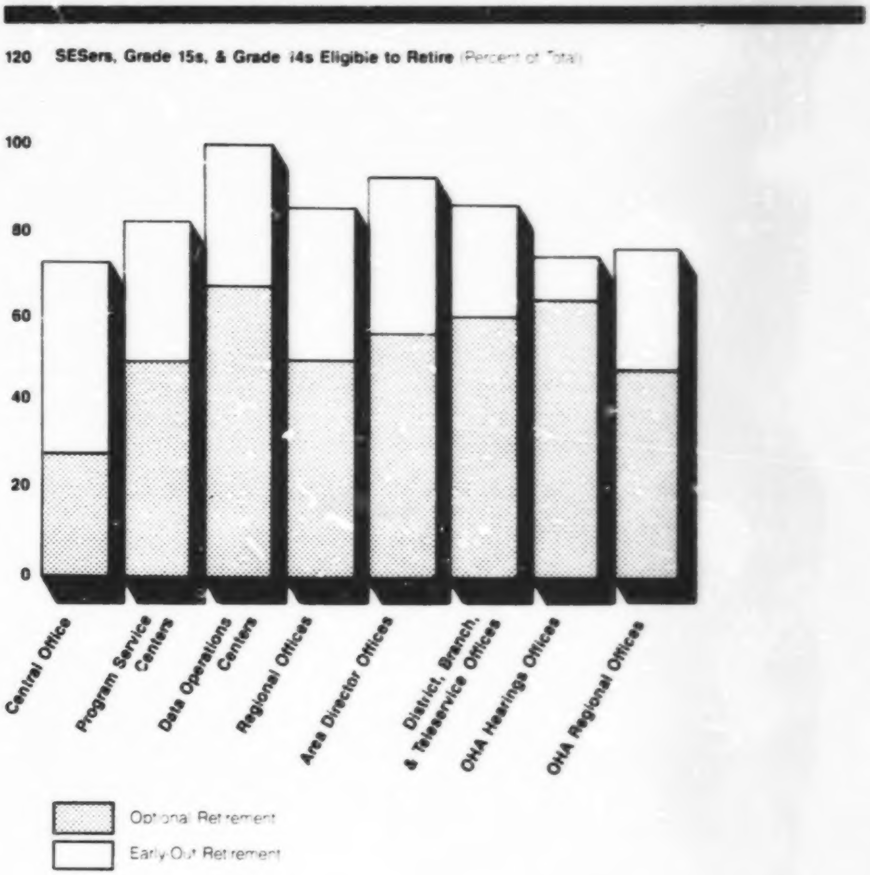

Figure 16.1: SSA Managers Who Are Eligible for Optional or Early-Out Retirement Between 1986 and 1991

According to SSA, its experience with retirements shows that about one-third of those eligible to retire choose to do so in any year. This means that about 330 managers would retire under optional retirement and another 200 could take early retirement over the next 5 years. This could place heavy demands on management development and recruiting efforts over the next several years. However, SSA is not operating effective, formal agency-wide programs for identifying and developing potential SES or mid-level managers.

A former SSA assistant commissioner, hired as a consultant by the National Commission on Social Security, which was examining SSA's management problems in 1980, had the following to say with respect to management turnover as it related to SSA's problems at that time.

"The massive loss of first generation leadership had a severe adverse impact on SSA's ability to perform its tasks because it took place over a short period of time and because SSA has not selected and adequately trained replacements to fill the important slots they vacated."

SES Development Efforts Are Inadequate

SSA's current management development efforts are inadequate to provide enough highly qualified SES managers in the future. Before 1983, HHS operated a department-wide SES candidate development program. This program placed five SSA employees in SES positions between its inception in 1979 and 1983. SSA established its own program in 1983, and since then has had only one class, with six candidates. Of the six, one was appointed to an SES position in SSA, three remain in the program, one left SSA, and one completed the program, but has not received an SES appointment. According to officials, SSA stopped identifying and developing SES candidates because it believed it would not have positions for them due to budget reductions.

One-third of SSA's senior executives told us that they believed that SSA's efforts to develop SES candidates were generally inadequate. One executive said there is little, if any, senior staff interest in developing new candidates, and another said he had never been asked to submit names of potential candidates. Others believed that SSA has not done a good job of finding the best people to put into its program in terms of quality and potential. Also some were concerned that SSA no longer has an effective formal program for moving middle managers to top management positions.

More Aggressive Development Efforts Also Needed for Mid-Level Managers and Below

SSA could also be facing a serious situation at the mid-management level. It does not have a formal nationwide management development program for identifying and developing candidates for these positions, and its commitment to employee development and training is not perceived as credible by many employees and managers. About 260 (or 10 percent) of the employees SSA has promoted to first-line supervisory positions in its field offices have volunteered to be demoted for a variety of reasons—a high percentage, in our opinion. Many mid-level managers are concerned about the quality of the entry level recruits who, through SSA's "promote from within" policy, are forming the pool of future supervisors and managers. Some managers believe that many employees with the greatest potential for advancement are leaving SSA due to uncertainty of their jobs.

Limited Formal Management Development Efforts

Currently, SSA does not have any national management development programs. It operated three such programs in the early 1980's, but they were suspended due to SSA downsizing and budget constraints. The Advanced Managers Program and the Management Development Program were both pilot programs started in the early 1980's together serving about 44 participants. A third program, the Management Intern Program, was designed to develop new managers. It had included 18 SSA and 11 HHS employees. SSA plans to restart these programs with the number of participants to be based on the estimated number of positions targeted at these levels.

Each SSA operating component currently has authority to establish its own management development program. Some components, such as the Atlanta Regional Office, have established programs, but most managers are identified through normal merit promotion procedures rather than through the special development programs. For promotions made in the absence of developmental programs, we believe SSA has less assurance that individuals possess the attributes, skills, and training needed to be effective managers.

Effectiveness of Employee Development Efforts Questioned by Many

In 1983, SSA implemented a comprehensive system called the Managerial Training Matrix for training its new supervisors, managers, and executives. In 1985, SSA took several actions to publicize the requirements for and availability of the numerous training courses included in the training matrix. However, both mid-level managers and employees remain skeptical about SSA's commitment to employee development and the ability of SSA's current training efforts to effectively and significantly contribute to the development of staff, as indicated by the following responses to our questionnaire.

Of the nonmanagerial employees:

- More than 50 percent believed that few opportunities exist for them to receive job-related training from SSA or any other source.
- 57 percent believed they receive less training than needed to develop their career potential.
- 54 percent of those who believed morale to be low attributed it, at least partly, to not enough emphasis on employee development.
- When asked what single management or operational change each employee would make in priority order, the second most frequent choice was to improve training and development.

Of the mid-level managers:

- 30 percent expressed dissatisfaction with SSA's efforts to identify and develop candidates for supervisory and middle management positions.
- 40 percent believed SSA's training program for managers and supervisors is organized and comprehensive only to some extent or little or no extent.
- 64 percent believed SSA's training program for administrative or clerical/support staff is organized and comprehensive only to some extent or little or no extent.
- 44 percent said SSA's training courses do not meet employees' developmental needs.
- 66 percent said the national Office of Training in SSA headquarters does not adequately help to assess or meet the training needs of their unit.
- 61 percent believed that training funds are available for their unit only to some extent or little or no extent.
- 43 percent and 59 percent believed that internal training and development programs had not generally improved the performance of management/supervisory staff and administrative or clerical/support staff, respectively.

Due to time constraints we were unable to determine the reason why staff continued to be critical of SSA's training efforts, in light of the improvements made.

Retention of Supervisors a Problem

SSA is experiencing a substantial problem in selecting and retaining supervisors in its field offices. Managers and employees both told us of numerous instances in which supervisors took voluntary downgrades or laterally moved into other nonsupervisory positions to get out of their supervisory positions due to job frustration and other factors. SSA's data show that between 1982 and 1986, about 260 supervisors (equal to about 10 percent of the field office operations supervisor positions) took voluntary downgrades. This problem was particularly acute in the New York, Chicago, and San Francisco regions, which accounted for about 60 percent of the voluntary demotions.

Discussions with managers, supervisors, and employees indicated that, in their opinion, about 90 percent of these downgrades take place because:

- Management does not always make good choices in selecting people for these positions—that is, the best claims representatives do not necessarily make the best operations supervisors; yet they are often selected on that basis.
- New supervisors may find that they do not like the duties and responsibilities associated with their new positions.
- Supervisors cannot cope with the workload and pressure associated with their positions.
- The increase in pay for becoming a field supervisor is not enough to justify the tremendous increase in responsibility and frustration.
- Management is more concerned about production statistics than employee development, making the position unrewarding. Operations supervisors have to push employees to meet managers' merit pay production goals, but cannot take the time to devote to employee developmental activities.

Similarly, according to our questionnaire results, about 61 percent of the employees said that they did not want to be a supervisor. The three major reasons given were that there were too many frustrations associated with the position, they did not want to supervise other people, and the position did not pay enough for the amount of work required. Interestingly, the major reasons given by computer staff and certain operations staff were the frustration associated with the position and the fact that they did not want to manage people, while service and claims representatives cited frustration and the fact that the position does not pay enough for the amount of work required. The high percentage of employees who do not want to be supervisors could reflect problems in recruiting quality candidates for entry-level positions with supervisory potential and problems in designing supervisory positions that are attractive for advancement.

In October 1986 Commissioner Hardy established an objective to implement a comprehensive management and career development program. SSA expects to develop and approve an action plan for this.

Possible Recruitment and Career Track Problems

SSA's potential leadership problem appears to extend all the way to its entry-level positions. According to agency officials, SSA relies heavily on internal promotions from its clerical or entry-level professional position ranks up through journeyman positions and beyond. These officials expressed a concern about increasing difficulties in attracting or retaining high-quality clerical and entry-level staff.

Our review showed these problems were attributable to a variety of factors, including (1) outdated OPM job standards, which, according to SSA, result in undergraded positions given the skills required, and consequently in noncompetitive pay rates for such positions in comparison to the other agencies and private industry in many areas of the nation;[2] (2) uncertainty about the future of certain nonmanagerial jobs in the face of staff reductions; (3) workload shifts; (4) increasing job pressures resulting from workload imbalances in some locations due to staffing reductions; and (5) difficulties hiring top-quality college graduates. Of the senior executives we interviewed:

- 56 percent cited recruitment of staff as a problem. They complained that government salaries are not competitive, and that managers are often not allowed to replace staff due to employment ceilings.
- 39 percent said the quality of staff was a problem. They also said that it was becoming more difficult to retain high-quality staff when private industry offers higher salaries.
- 36 percent cited turnover as a problem, especially as it relates to clericals. They also believed that this problem would be worsened by the current staff cuts, because people who can find other jobs are likely to decide to leave before they are forced to do so. Several executives emphasized that the people who are leaving are frequently the better quality people.

Conclusions

The potential for large numbers of retirements exists and creates a heavy reliance by SSA on its management development and recruiting efforts for replacing a large number of its managers over the next several years. However, SSA is not operating effective formal agency-wide programs for identifying and developing potential SES or mid-level managers. Consequently, SSA needs to improve its efforts to identify and develop managers, as well as its recruitment efforts, to increase the pool of qualified potential managers. Recently SSA has initiated efforts to improve the training of new managers and executives.

Recommendations to the Commissioner

We recommend that the commissioner:

- Determine what senior-level and mid-level manager positions will likely have to be filled over the next several years, the adequacy of the existing pool of available candidates, and the specific recruitment and development changes needed so that SSA will have enough qualified candidates to fill future vacant positions.

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[2] This situation is compounded by the fact that the federal salary increases have not kept pace with those in private industry for the last 5 to 10 years.

- Establish a formal program to identify and develop managers at all levels of the organization.
- Determine how SSA can make staff more aware of requirements and availability of training for new supervisors and managers and the benefits that accrue from fulfilling the current training curriculum.
- Develop a training program to enhance the knowledge, skills, and abilities of lower level staff to assume future supervisory and/or management positions. Such a program could be similar to the training program SSA now has for newly promoted or assigned supervisors and managers.
- Reassess its selection practices for supervisors to minimize the selection of employees who do not have the appropriate skills and abilities for or who do not fully understand the duties and responsibilities of the job. In addition, reassess the structure of the operations supervisor position to determine how more emphasis can be placed on making it more rewarding and attractive.

Improve Other Aspects of Personnel Management

Most SSA employees have a positive image of their unit's work climate, but believe that there are certain aspects of personnel management, including work climate, that need to be improved. Most of their concerns relate to problems originating at higher organizational levels that they believe frustrate their ability to do their jobs or advance their careers. SSA needs (1) to more systematically measure progress toward meeting specific work climate goals and objectives, (2) more specific expectations in SES contracts and merit pay plans on work climate, and (3) a more visible means for recognizing and rewarding employees. In addition, SSA should reassess the emphasis it places on achieving initial claims production goals to the possible detriment of other objectives and the effects future staff reductions will have on employees and service delivery.

Employees Are Satisfied With Many Aspects of Their Unit's Work Climate

SSA's employees generally have a positive image of their unit's work climate as evidenced by the fact that at least two-thirds of them said they were satisfied or very satisfied with a wide variety of aspects related to their employment, including supervisory technical guidance; supervisory use of employees' skills and abilities; and the nature, quality, timeliness of the units' work. In addition about 77 percent of employees indicated that their performance appraisals presented a fair and accurate picture of their actual job performance from a moderate to very great extent. We believe this degree of satisfaction speaks well of the efforts of SSA's field and headquarters unit managers. It is a credit to upper level management that SSA's employees indicated that quality, timeliness, and public service were among their key work-force goals and objectives. Although employees are generally satisfied with those aspects of their job that are directly associated with their unit's environment, they were dissatisfied with several factors originating outside their unit and over which they had no control.

Concern Expressed About External Factors Affecting Unit Job Climate

Employees and managers expressed concerns about a number of conditions that exist above their unit level, either SSA-wide or government-wide. For example, about 43 percent of the nonmanagerial employees believe SSA has not shown a strong commitment to providing a favorable work climate for all its employees. About 30 percent of the mid-level managers (48 percent for headquarters managers) and 53 percent of the nonmanagerial employees indicated low or very low morale for the people in their units.

Mid-level managers in the field and headquarters believe that the lack of stable leadership in SSA, poor promotion potential, and the poor image of federal employees are among the top four causes of low morale in their units. However, field managers cited too much emphasis on timeliness and quality measures, whereas headquarters managers listed uncertainty about the future of their units, as the other cause of low morale.

Nonmanagerial employees attributed the low morale to poor promotion potential (63 percent), too much emphasis on production statistics (56 percent), not enough emphasis on employee development (54 percent), and uneven workload distributions (47 percent). In addition, aside from the issue of low morale, employees indicate general dissatisfaction with management concern for employees (43 percent), the pay they receive (38 percent), and their career progression (37 percent).

Our questionnaires and fieldwork identified other problems related to operations that concerned employees. For example, in responding to our questionnaire, more than half of the nonmanagerial employees cited a variety of problems associated with the workability of SSA's operating instructions. A third of all employees do not believe that SSA has taken advantage of advances in computer technology to help them do their jobs better. About 65 percent of the claims and service representatives felt strongly that it would be useful to automate work they did manually, and about 43 percent of all employees responding expressed dissatisfaction with what they believed to be management's general lack of concern for employees. During our fieldwork, a number of employees pointed out limitations in or problems with SSA's computer system, such as computer down time or the need to reprocess cases dropped by computer system malfunctions. About 41 percent of employees indicated that the support (tools, information, training, and modern equipment) provided to them did not adequately match the performance expected of them.

While there were occasional concerns that related to factors originating within job units (such as poor unit management or supervision), most seem to relate to factors originating outside their immediate units. To some extent, they relate to such government-wide events as budget reductions, freezes in employee pay or reductions in fringe benefits; but to a larger extent, they appear to be strongly influenced by SSA's management of these events (particularly budget and staff reductions) and its management of changes taking place in SSA, such as systems modernization and workload shifts. The morale of systems employees varied among units, and was related to the type of work being done—working on the existing system versus designing the new one. (See p. 147.)

Concern Expressed About Increased Pressures Due to Staff Reductions

Although most of SSA's nonmanagerial employees believe the quality of their units' work and public service have improved over the last 3 years, some have expressed concern about the increasing pressure on remaining employees to make up for staff losses. Some of the employees and many of the mid-level managers we interviewed believed that the 17,000 staff reduction would adversely affect operations and service to the public in the future. Fifty-five percent of SSA's nonmanagerial employees said their unit had lost staff during fiscal year 1985, and of these, 56 percent indicated the loss had a negative effect on their ability to produce quality work. Comments provided by employees showed that many believed that while quality remained high, attaining it involved extra effort and stress. This perception was particularly acute among claims and service representatives—SSA's front-line staff who deal directly with the public.

Employee comments centered on the fact that remaining staff (1) are overloaded with work, (2) are under more stress and pressure to get work out, (3) have low morale, (4) lack incentives and motivation to work harder, and (5) are forced to work overtime to meet deadlines. A number of other employees said that remaining staff have had to assume other duties in addition to their regular workloads, including clerical duties and interviewing, and that waiting times for the public have increased. This reduces the time available for normal work, contributes to backlogs in pending regular work, and can lead to lower quality work.

The following paraphrases employees' statements about their concerns:

- As a result of staff cuts, remaining employees must work in a crisis mode much of the time. Individual leave is at a premium. The resulting burnout causes more sick leave usage, with a corresponding burden on the employees present and doing the work. The computer system has had periodic problems that grossly affect processing our claims; together, the two (loss of employees/computer inefficiency) leave remaining employees with low morale, high frustration, and low job satisfaction. In the last 6 months, five GS-10 employees left for other endeavors as the above and lack of management appreciation became too great to deal with any longer.

- We have lost so many people, we are barely able to keep up with current workloads and the backlogs just sit. Everybody had taken on extra duties so that you are doing the work of 3 or 4 people all the time. It is so frustrating and depressing that sometimes I feel like giving up.
- Our quality is still good, but the effort needed to produce the work is greatly increased. Some employees are handling the extra stress without difficulty, but others will need more attention from their supervisor. An occasional pat on the back goes a long way.
- I believe the work is correct more often and we are doing a larger volume of work than 3 years ago. However, we feel that we are in a "crisis mode more often." We have to do a larger quantity of work per person and we are not given additional time or encouragement. The added pressure and quantity do not appear to be considered by management. Because we have lost staff, people are asked to do jobs on a continuing basis that were done by lower grade workers and no credit is given by management to the employees now doing them. This has let morale drop to a very low point. Even with all these negatives, I believe that the individuals still here are very resilient. There is greater dissatisfaction about the job and about working for SSA than ever before in my 12 years of work. The reasons are varied and if they are not changed, SSA will lose many of its dedicated and talented employees. This I believe will cause a great disservice to the American public.

Many of SSA's mid-level managers expressed similar concerns. For example, 66 percent said that their units lost staff in 1985, and of these, 71 percent said losses had a negative effect on their units' ability to produce quality work. Of the mid-level managers who said the performance of their unit had declined in the last 2 years, 75 percent said it was due in part to changes in staff levels, and 58 percent said it was due in part to a change in the morale of staff. Also, out of a list of 15 possible priorities for change, "improve morale" was the second most frequent selection as the top priority by mid-level managers.

We believe that these negative perceptions by SSA's employees and mid-level managers are at least partly attributable to the following.

- SSA's heavy reliance on attrition to achieve staff cuts. While intended to protect employees and promote a favorable work climate, it has not been accompanied by a detailed plan that would address the uneven distribution of staff reductions usually associated with attrition. That is, staff leaving are frequently not in the locations or of the type desired. Consequently, many remaining staff are faced with uneven workloads.

- In 1986, SSA decided to shift additional authority for authorizing certain claims from PSCs to field offices. SSA developed an analysis of the potential effects of the shift on PSC personnel in December 1985, before the shift was authorized. The analysis includes prospective data on the number and types of positions that would be retained, reassigned to other locations, downgraded, or lost. However, no plan was made available that specified the personnel actions that would be taken. PSC personnel have been aware of the possibility of the staff changes mentioned above for some time, but were given no specific information regarding the effects on them. Consequently, this has left many PSC personnel uncertain of their job futures, as well as concerned about the lack of advancement opportunities even if they remain in their same locations.

Concern Expressed About Emphasis on Initial Claims Production Goals

For the last several years, SSA's regional management has placed heavy emphasis on production (timeliness and quality) goals for certain of its workload items—predominantly initial claims processing. This emphasis has been translated into merit pay standards for field managers. Some employees and mid-level managers we interviewed believed that too much emphasis is given to initial claims and that this emphasis drives decisions and actions that are detrimental to SSA's overall goals of providing efficient, high-quality service to the public and creating a favorable work climate for employees.

Many employees see other critical aspects of their jobs— such as handling post-entitlement transactions, providing courteous, sensitive service to the public, or the need to learn how to use new technology as part of SSA's modernization program—as being at least as important as initial claims processing. Yet, they do not see sufficient emphasis or recognition given to these areas. In addition, they view SSA's emphasis on production statistics as indicative of the organization's lack of concern for employees.

Claims and service representatives, for example, singled out excessive emphasis on statistics as their most frequently cited cause of low morale. Operations supervisors also cited this emphasis as a problem. Illustrative comments follow:

- The ultimate frustration as a supervisor with SSA is the current goal chasing. SSA field offices are now actively manufacturing work credits by taking abbreviated SSI applications. These are quick technical denials for which they receive full work credit. Some offices maintain a 50 to 60 percent or higher technical denial rate. It has been strongly suggested that these claims be taken and they are told how many they should have per month. The intent of the procedure was to protect the claimant by making his inquiry a matter of record on the computer system. However, it has become an artificial workload.

- The agency has forgotten that they are there to serve the public and not to meet statistical goals for merit pay.
- The goal structure within SSA means that work is handled in a way that will make the statistics look good. A lot of time is wasted playing with the "numbers" game instead of producing work. Often we spend a lot of time "massaging" a claim so that we can clear the case in a minimum number of days even though the claimant will not be entitled to receive a check for 60 to 90 days. Because of our emphasis on these "goal" items, a lot of other important work which is not included in one of the goals becomes backlogged. The goal structure that we must work under is the biggest cause of inefficient use of time and resources in SSA.
- SSA's mission used to be to pay the right amount of money to a person when due. It has turned out to be a numbers game. The goal is to process that claim as fast as possible, even though the benefits may not be payable for 3 months. Too often statistics are used to measure the quality of service to the public which is a farce. We should have meaningful goals.

SSA's mid-level managers seem to share this view. Fifty-five percent of the field office managers citing low morale identified excessive emphasis on production statistics as one of the causes. In an interview with the deputy commissioner for operations, he told us that while he believes initial claims are extremely important, he shares the view that too much emphasis may be placed on them. He said he intends to look into this situation.

No Measurement of Work Climate

SSA does not systematically measure work climate even though the previous acting commissioner established a basic value for the agency called "Striving for a Positive Work Climate for All Employees." No numeric goal or specific objectives for addressing the goal had been set.

SES contracts and merit pay plans we reviewed contained broad objectives to strive toward a positive work climate for all employees, but the specific standards against which managers would be rated were limited in scope and did not routinely address consistent aspects of work climate, such as employee recognition, working conditions, supervision, promotion potential, job security, respectful treatment, job satisfaction, or information regarding changes to operations. Consequently, the possibility of achieving measurable agency-wide improvements in work climate would be remote. For example, many contracts specified commitment to equal employment opportunity, cooperative agreements with the union, and managing the impact of automation as areas for showing that managers were meeting their objectives. Others focused on safety, communications, and the agency's physical environment to show the objective was being met. No measurable criteria were included and no consistency in approach is evident.

Although SSA does not systematically measure work climate across the organization, it and HHS have made occasional efforts to do so. They do not, however, appear to result in a comprehensive and systematic way of addressing the work climate goal, which has also been adopted as a priority by Commissioner Hardy.

Improvements Needed in Performance Management

Many SSA employees and mid-level and senior managers lack confidence in certain aspects of SSA's programs for recognizing high-quality performance or ideas for improvements. They identified concerns with insufficient supervisory feedback, the awards process, and the formal employee suggestion program.

Insufficient Feedback From Supervisors

About 83 percent of the nonmanagerial employees indicated to us that positive supervisory feedback was important in motivating them to do a good job. However, 42 percent of the employees said that their supervisor had not used general feedback to motivate them, and 25 percent indicated that they had received inadequate verbal or written feedback on their job performance from their supervisor. For example, an employee responding to our questionnaire said that a pat on the back once in a while would go a long way toward demonstrating that SSA cares about its people and their contributions.

Awards Programs Lack Credibility

About 39 percent of the senior executives we interviewed felt that SES bonuses were not awarded to the most deserving people. Statements included allegations that (1) the SES awards process is based on favoritism, (2) no one can tell who should get an award since everyone in the SES gets an outstanding rating, and (3) the process causes more pain than motivation. One individual attributed the long-standing computer system's problems to the fact that there is no measure of how well people do their work.

In addition, 63 percent of mid-level managers indicated that while SSA distributed award money to its employees on the basis of each unit's per capita share of the total work force, it would be preferable to distribute it on the basis of a combination of the overall performance of each unit as well as its per capita share of the total work force. We believe that such a distribution method would result in rewarding more mid-level managers and employees who perform well, and serve as an incentive to managers and employees.

Interestingly, about two-thirds of nonmanagerial employees said that awards were very important to motivate them, and about three-fourths of them said that their supervisors did not use awards as a motivational tool for them. In 1985 SSA gave out 18,432 cash awards totaling $4.9 million, which represents awards to about 23 percent of SSA employees. SSA officials told us that SSA had increased the number of awards by about 7 percent and the amount of the award funds by about 50 percent over 1984. The percentage of employees who said that they had not received awards from their supervisors is roughly equivalent to the approximately 77 percent of SSA employees who did not receive awards overall.

In January 1987, SSA announced that beginning with the fiscal year 1987 awards program, about $2.6 million in new award funds would be made available to the regions and PSCs, to be distributed based on their fiscal year 1986 productivity levels. We believe this action should improve the effectiveness of the awards program, but it should be extended to the headquarters operations components as well as those presently included.

Limited Effectiveness of the Formal Suggestion Program

Both employees and mid-level managers questioned the effectiveness of SSA's formal suggestion program in encouraging staff to submit ideas for improving operational efficiency and productivity. Thirty-four percent of employees and 39 percent of mid-level managers believed that SSA's suggestion program has not been effective in encouraging employees to submit ideas. Sixty-six percent of the employees indicated they have never submitted a suggestion to the program.

Former Acting Commissioner McSteen recognized that there were problems associated with the suggestion program, and as a result, instituted a number of improvements to it. These were intended to reduce the amount of paperwork associated with the process, provide for higher level consideration of ideas, and reduce the amount of time it takes to get award money to recipients. In addition, the deputy commissioner for operations has recently initiated a suggestion award process change. It allows decisions authorizing suggestion award money to be delegated to district office managers. This allows direct distribution of award money to staff for their suggestions for improving office operations. This should also make managers more responsive to employee suggestions in terms of earlier consideration of and quicker acceptance or denial.

SSA's recent attempts to improve the effectiveness of the suggestion program appear to be substantive steps in the right direction. It may be that these improvements were too recent to have had an effect on the opinions of SSA staff at the time we questioned them. SSA's data show an increase in the number of suggestions submitted after changes were implemented.

Conclusions

SSA is attempting to maintain a favorable work climate for its employees, redistribute workloads, reduce staff, introduce new operations and information technology, improve productivity, and maintain and improve service to the public—all at the same time. Work climate, however, does not appear to have received the same level of emphasis as other goals. Many employees and mid-level managers believed that SSA had not demonstrated a commitment to providing a favorable work climate for its employees. Accordingly, if it is to accomplish its stated objective, SSA will have to be more aggressive in defining, measuring and improving the employee work climate. It will also need to make its actions to improve the work climate better known to employees.

While SSA's employees seem generally satisfied with the work climate in their units, they are concerned about various things outside their unit that affect their work climate. To increase staff morale, SSA should show more concern for the development and promotion potential of employees, the amount of emphasis on certain production and timeliness measures, and the effects of staff cuts on employees. Also, SSA's management should examine the effectiveness of its awards programs to improve the job performance of its employees.

Recommendations to the Commissioner

We recommend that the commissioner:

- Reassess the emphasis given to initial claims statistics by managers to determine whether changes would be appropriate to achieve a more balanced approach to all important workloads and other objectives.

- More clearly define and set objectives for SSA's goal of maintaining a favorable work climate, include such objectives in SES contracts and merit pay plans, and systematically measure progress.
- Improve the effectiveness of employee recognition efforts by allocating a portion of award funds to all operational components based on unit performance, and emphasizing to supervisors and managers, through training or other means, the importance of prompt recognition of employee contributions.

Preliminary Information on Alternative Organizational Structures

On June 26, 1986, we briefed Commissioner Dorcas Hardy and her staff on the status and results of our management review. During our discussion of organizational problems, we were asked to include in our final report (for long-term consideration) some alternative organizational arrangements that could address SSA's structure problems. In response to this request, we have drafted several alternative structures and solicited opinions about the alternatives from past and present SSA executives and management consultants familiar with SSA.

The following sections present and describe the alternative structures and the reactions we received about them. In general, the reactions were mixed concerning whether the alternative structures would be an improvement over SSA's current organizational arrangement. However, regardless of their views on the alternatives, the respondents tended to express concerns and opinions about the same organizational issues.

Alternative Structures: Objectives and Description

We drafted four alternative organizational structures for SSA's headquarters operations. In developing these alternatives, we established several objectives based on our review results. These were to build a structure that

- strengthens SSA's central leadership,
- establishes reasonable spans of control for the commissioner's office,
- provides greater emphasis on program management as well as high-level focal points for significant management activities, and
- clarifies line and staff relationships among its components.

The alternatives contain components that use the same organizational names where possible. We did this for several reasons. First, it helps to avoid confusion over the types of activities and functions that would be performed by the component. Where obvious differences exist, we have attempted to be more descriptive in our titling. Second, any significant organizational change should be made with an eye toward SSA's future plans to provide service to the public. Since such long term plans do not exist yet, we did not identify components that could possibly meet future plans. Third, the nature of our review and available time did not permit us to do an in-depth organizational study that would chart and describe responsibilities in detail.

In drafting these alternatives, we were constrained by the nature of our review—a top-down, broad analysis of SSA. Such an analysis does not provide a detailed understanding of hundreds of headquarters components and the thousands of interrelationships among them that occur each day. Consequently, we solicited opinions on their viability from 38 persons—former commissioners, past and present senior executives, and management consultants familiar with SSA's operations and organization. Due to time constraints, we selected these persons on a judgmental basis. Thus, their comments may not be representative or projectable to any particular group of executives.

The following sections briefly describe each of the alternatives in relation to the organizational objectives we established. All of the alternatives share certain common features. These are the establishment of a single deputy commissioner (or general manager) position, an executive secretary, and a small staff in the commissioner's office to do central planning and to integrate the operations of major components. Further, they all contain a high-level focal point for financial management activities and administration and place the PSCs under the regional commissioners.

Finally, we decentralized training and assessment activities in all the structures. We did this to enhance program accountability and address common concerns among executives and managers, such as the ineffectiveness of internal training and development programs and the lack of sufficient and timely data to assess operations. We see these activities being performed on two levels. Operating components would be responsible for technical training and assessment of their daily operations. Headquarters components would retain responsibility for organizational related or agency-wide training matters, such as supervisory or ADP matters, and assessment of overall agency performance.

The differences among the alternatives lie with the relationship of the various activities that make up SSA's programs. Each alternative attempts to bring together program-related relationships while maintaining manageable spans of control and recognizing the benefits that exist from functional specialization in ADP operations. Each alternative clearly pinpoints accountability for SMP.

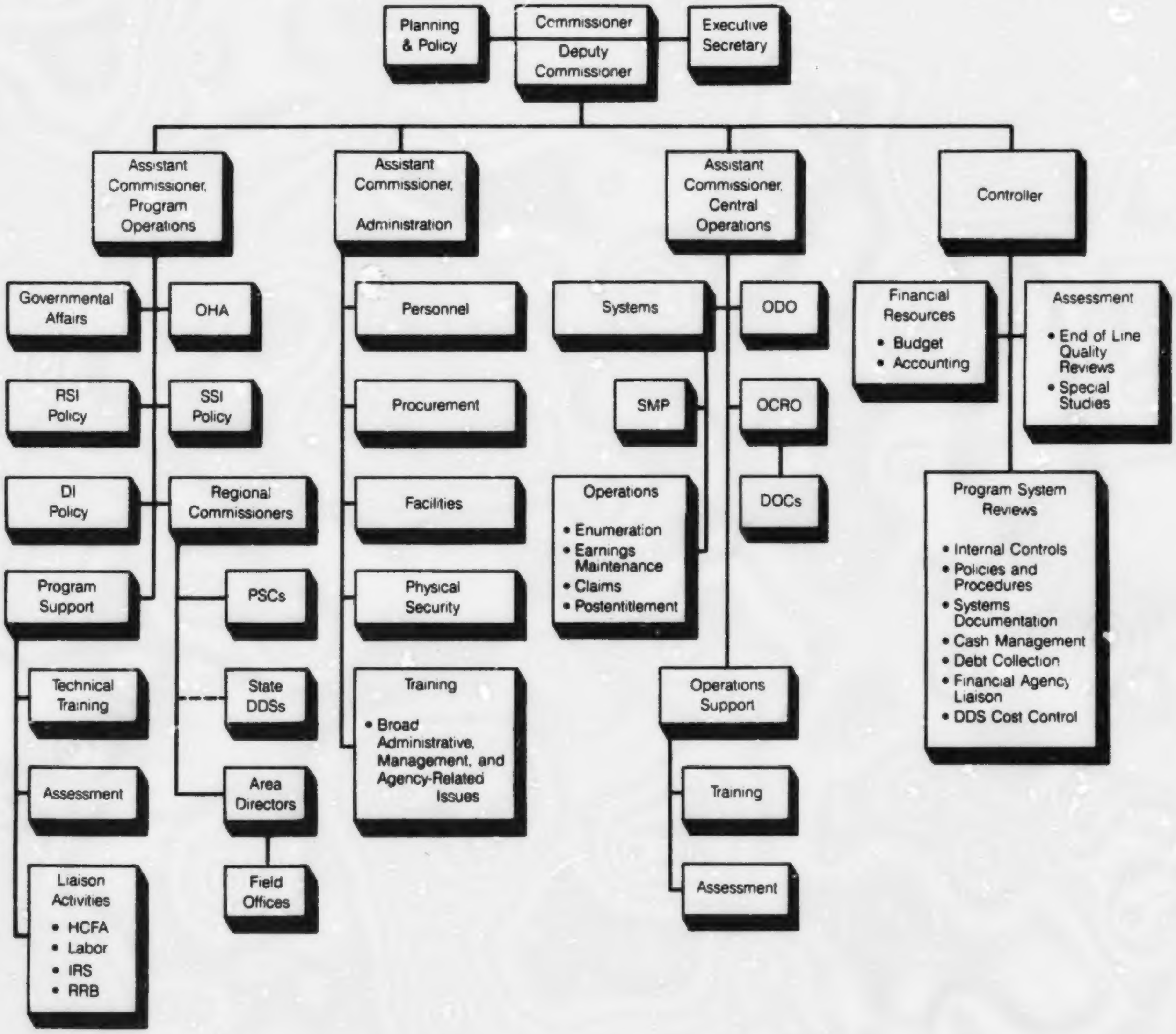
Alternative A

Alternative A identifies four major components reporting to the commissioner's office. It identifies four major functional activities: program operations, administration, central operations, and controller.

Program accountability is enhanced through the assistant commissioner for program operations. This is accomplished by combining under one unit (1) the development of program policy and procedures; (2) the delivery of program services to the public; (3) the ability to assess the effectiveness and efficiency of its operations and train personnel; (4) the handling of public, congressional and administration inquiries; (5) the handling of liaison activities arising from program operations; and (6) the administration of the hearings and appeals process.

Besides the major components for administration and the controller, the organization is supplemented by an assistant commissioner for central operations. This component would carry out centralized activities for (1) developing, maintaining, and operating ADP systems; (2) administering the activities of ODO; (3) managing the basic record systems that support SSA programs; (4) assessing its own operational effectiveness and efficiency; and (5) providing technical training for its personnel.

Figure I.1 Alternative A - Combining Program Policy and Monitoring With Program Operations

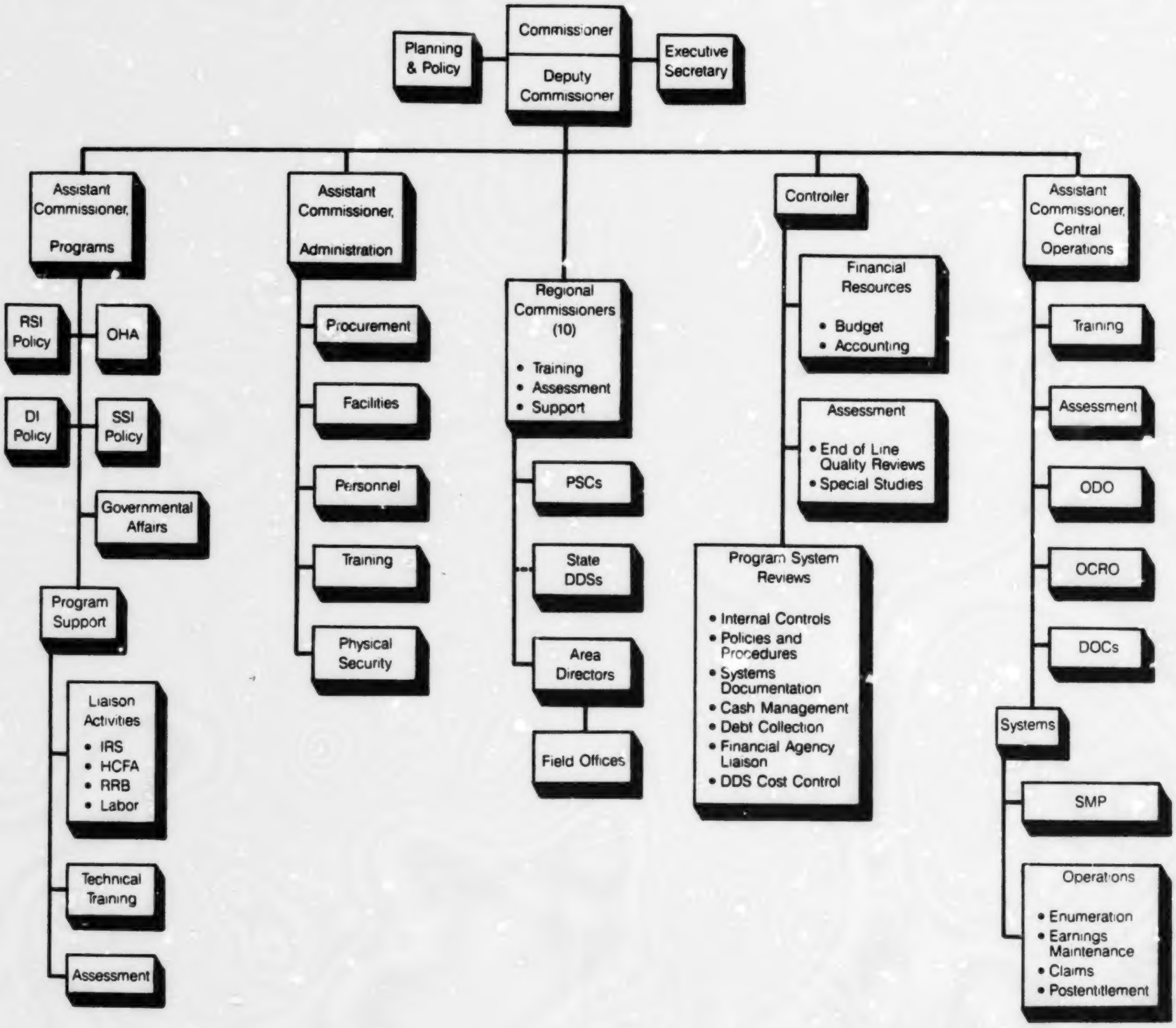

Planning & Policy
Commissioner
Deputy Commissioner
Executive Secretary
Assistant Commissioner, Program Operations
Assistant Commissioner, Administration
Assistant Commissioner, Central Operations
Controller
Governmental Affairs
OHA
RSI Policy
SSI Policy
DI Policy
Regional Commissioners
Program Support
PSCs
State DDSs
Area Directors
Field Offices
Technical Training
Assessment
Liaison Activities
• HCFA
• Labor
• IRS
• RRB
Personnel
Procurement
Facilities
Physical Security
Training
• Broad Administrative, Management, and Agency-Related Issues
Systems
ODO
SMP
OCRO
DOCs
Operations
• Enumeration
• Earnings Maintenance
• Claims
• Postentitlement
Operations Support
Training
Assessment
Financial Resources
• Budget
• Accounting
Assessment
• End of Line Quality Reviews
• Special Studies
Program System Reviews
• Internal Controls
• Policies and Procedures
• Systems Documentation
• Cash Management
• Debt Collection
• Financial Agency Liaison
• DDS Cost Control

Alternative B

Alternative B portrays a divisional headquarters structure that identifies five major functional areas: programs, administration, central operations, controller, and program delivery through SSA's regional commissioners. Although the structure depicts a rather wide span of control (17 components reporting to the commissioner's office), we do not envision the regional commissioners as having the same role in daily SSA-wide management issues as the headquarters component heads. Rather, we believe the regional commissioners would have 90 to 95 percent of their contact with the component heads for programs, central operations, etc., and only 5 to 10 percent of their contact with the commissioner's office. This arrangement would provide unfiltered input to the commissioner on program delivery matters without burdening the office with supervising and monitoring 10 regional offices' operations. We have lowered the organizational box for the regional commissioners to portray this relationship.

Except for this relationship with the regional commissioners, alternative B remains similar to alternative A. The duties of the assistant commissioner for administration, central operations, programs and the controller remain the same.

Figure I.2: Alternative B - Divisional Structure

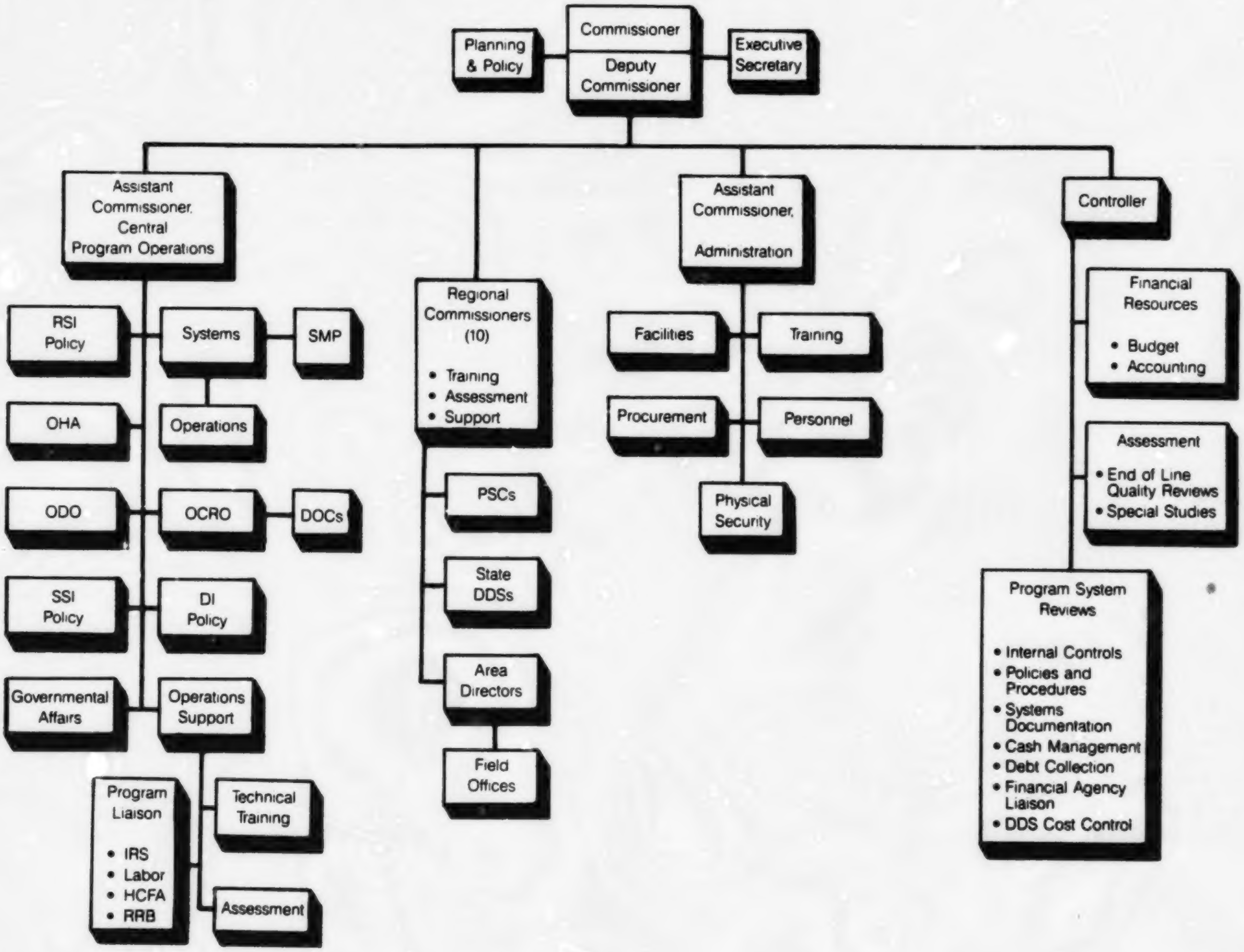

Commissioner
Deputy Commissioner
Planning & Policy
Executive Secretary
Assistant Commissioner, Programs
RSI Policy
OHA
DI Policy
SSI Policy
Governmental Affairs
Program Support
Liaison Activities
• IRS
• HCFA
• RRB
• Labor
Technical Training
Assessment
Assistant Commissioner, Administration
Procurement
Facilities
Personnel
Training
Physical Security
Regional Commissioners (10)
• Training
• Assessment
• Support
PSCs
State DDSs
Area Directors
Field Offices
Controller
Financial Resources
• Budget
• Accounting
Assessment
• End of Line Quality Reviews
• Special Studies
Program System Reviews
• Internal Controls
• Policies and Procedures
• Systems Documentation
• Cash Management
• Debt Collection
• Financial Agency Liaison
• DDS Cost Control
Assistant Commissioner, Central Operations
Training
Assessment
ODO
OCRO
DOCs
Systems
SMP
Operations
• Enumeration
• Earnings Maintenance
• Claims
• Postentitlement

Alternative C

Alternative C represents a variation of the divisional structure shown in the previous alternative. It combines into one unit the activities of programs and central operations. This organization has a span of control of 16 units. However, as in our previous discussion of alternative B, we do not envision the regional commissioners to be as actively involved in daily SSA-wide management issues as their headquarters counterparts. Thus, the span of control should not be as wide and demanding as indicated by the structure.

In alternative C, program accountability is enhanced by combining the centralized support functions of systems and the central recordkeeping processes that support programs with (1) program policy development, (2) instruction writing, (3) program assessment and training, (4) program liaison, and (5) hearings and appeals on program eligibility matters. This arrangement brings together program administration interests with ADP operations, which are vital to effective and efficient operations.

Figure I.3: Alternative C - Combining Program Policy and Monitoring With Systems and Central Operations


Commissioner
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• Assessment
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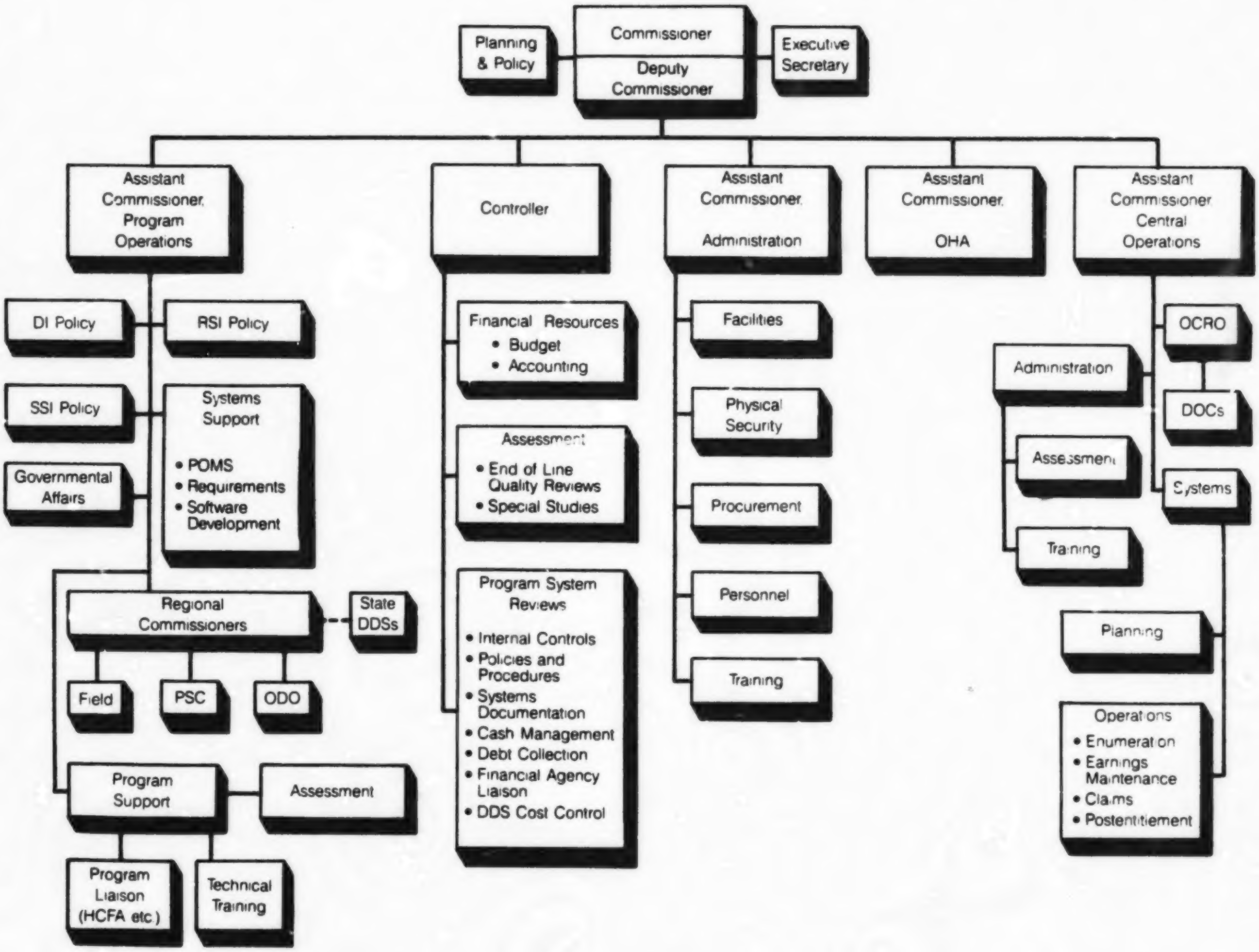
Training
Procurement
Personnel
Physical Security
Controller
Financial Resources
• Budget
• Accounting
Assessment
• End of Line Quality Reviews
• Special Studies
Program System Reviews
• Internal Controls
• Policies and Procedures
• Systems Documentation
• Cash Management
• Debt Collection
• Financial Agency Liaison
• DDS Cost Control

Alternative D

Alternative D identifies five major components reporting to the commissioner: program operations, controller, administration, central operations, and hearings and appeals. It provides the greatest degree of program accountability of the four alternatives we drafted and a reasonable span of control.

Alternative D is similar to alternative A except that OHA is taken out of program operations and replaced by an ADP systems support group involved in developing systems requirements. These changes (1) make OHA independent of the program administration components, whose eligibility and benefit decisions it reviews when beneficiaries file appeals, and (2) provide a link between program operations and vital ADP operations.

Figure I.4: Alternative D - Independent OHA Along With System Adjustments


Planning & Policy
Commissioner
Deputy Commissioner
Executive Secretary
Assistant Commissioner, Program Operations
Controller
Assistant Commissioner, Administration
Assistant Commissioner, OHA
Assistant Commissioner, Central Operations
DI Policy
RSI Policy
SSI Policy
Systems Support
• POMS
• Requirements
• Software Development
Governmental Affairs
Regional Commissioners
State DDSs
Field
PSC
ODO
Program Support
Assessment
Program Liaison (HCFA etc.)
Technical Training
Financial Resources
• Budget
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Program System Reviews
• Internal Controls
• Policies and Procedures
• Systems Documentation
• Cash Management
• Debt Collection
• Financial Agency Liaison
• DDS Cost Control
Facilities
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Procurement
Personnel
Training
OCRO
DOCs
Administration
Assessment
Training
Systems
Planning
Operations
• Enumeration
• Earnings Maintenance
• Claims
• Postentitlement

Reactions and Observations

We received comments about the alternatives from 26 of the 38 people whom we asked to review them. Their reactions were mixed.

- Fifty percent said one or more of the alternatives would improve SSA's operations. However, no particular alternative stood out as a strong favorite. Five persons favored alternative B, four favored alternative C, three favored alternative A, and one favored alternative D. Additionally, the respondents said they would make certain adjustments to the proposed structures.
- About 38 percent said none of the alternatives improved SSA's organization. They identified several reasons, including the placement of certain components, the need for SSA to first establish long-range goals before reorganizing, and the need to establish a programmatic structure.
- About 12 percent were noncommittal.

Although the responses are neither conclusive nor necessarily representative of the views of all SSA senior executives, they highlight a number of difficult organizational problems. Because there are no precise set of organizational principles to refer to that would assure correction of the problems identified, they will not be easy to resolve. Rather, resolution of the problems lies in establishing a structure that can (1) best accomplish a defined set of future goals and objectives, (2) pinpoint accountability, and (3) be sufficiently flexible to reasonably accommodate changing agendas, priorities, or styles of different commissioners and desired relationships among persons involved without major disruptions.

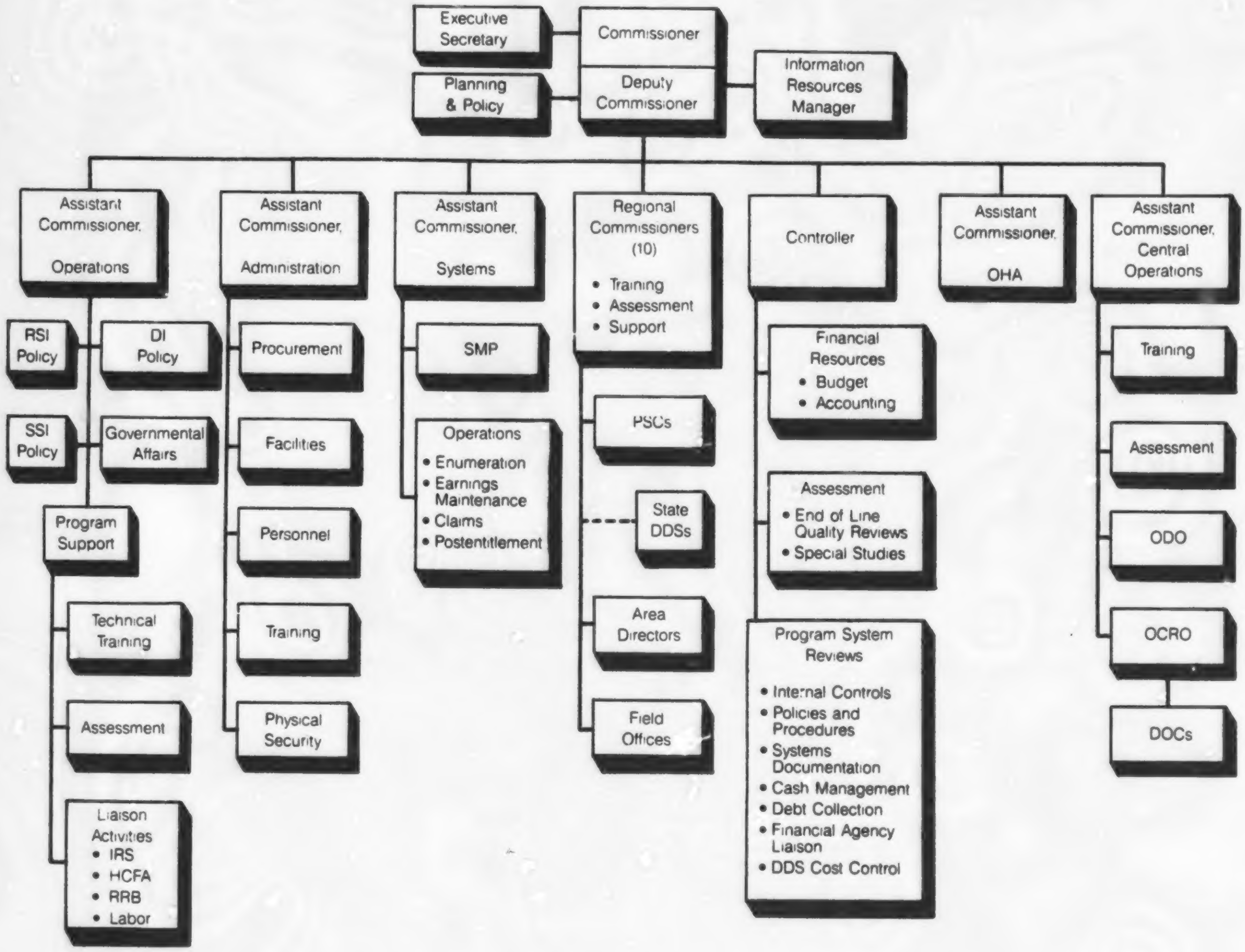
Organizational Location of Certain Components

The most frequently discussed matter in the responses concerned the placement of certain components. These included the organizational location and reporting relationships of the Office of Systems, the regional commissioners, and OHA.

Office of Systems

Eighteen persons commented about the placement of the Office of Systems in the alternatives. In all four alternatives, we lowered Systems' organizational status one level to better relate this function to the line operations it services. Nine of the respondents were not troubled by this placement. However, the other nine said Systems should remain a first-line organization. They said this would help to maintain balance in the decision-making process and to keep a high level focus on the modernization process. Alternative E shows an organizational structure proposed by one respondent that keeps the Office of Systems as a first line organization.

Figure I.5: Alternative E - Divisional Structure That Keeps Systems as a First-Line Organization


Executive Secretary
Commissioner
Planning & Policy
Deputy Commissioner
Information Resources Manager
Assistant Commissioner, Operations
RSI Policy
DI Policy
SSI Policy
Governmental Affairs
Program Support
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Assessment
Liaison Activities
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• HCFA
• RRB
• Labor
Assistant Commissioner, Administration
Procurement
Facilities
Personnel
Training
Physical Security
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OCRO
DOCs

The placement of Systems is a difficult organizational problem. In the past, SSA has had its ADP systems modernization efforts as a separate component, and this was found to be undesirable because it was too isolated from daily operations. Currently, ADP modernization and operations are organizationally combined, causing concerns about the switching of staff from maintenance activities to modernization. Further, because ADP is so integral to effective and efficient program operations, it might be desirable to have some or all of Systems under the control of program and service delivery components. However, the ADP operations for SSA's separate programs are highly integrated, making it economically and operationally difficult to break up Systems among SSA's programs. Further, separating Systems components may pose other problems, such as with integration of ADP activities, that need to be considered.

By lowering the organizational placement of Systems, we were trying to (1) clarify line and staff relationships (a frequently discussed organizational concern), (2) improve working relationships among components, and (3) increase program related control over ADP decisions. However, our recommendations to strengthen SSA's leadership and management capabilities may also accomplish these same objectives. Thus, it may not be necessary to lower Systems' organizational status to achieve greater program control over ADP decisions.

Regional Commissioners

Nineteen persons commented about the organizational placement of the regional commissioners. In two alternatives we showed them as directly reporting to the commissioner's office, and in the other two we had them reporting to an assistant commissioner for program operations.

Twelve persons said the regional commissioners should report to the commissioner. Those who discussed this relationship said it would provide important and unfiltered grass-roots information to the commissioner about SSA's operations. Seven persons opposed this reporting relationship. One person said it creates an imbalance in the decision-making process and can slow down decisions if the regional commissioners cannot reach a consensus.

In the alternatives with the regional commissioners reporting directly to the commissioner's office, we lowered their organizational position to show that they were not necessarily a part of the daily management team. This kind of operating arrangement could mitigate concerns over the span of control while maintaining the benefits of having good operational information. Another option suggested by a respondent would be to have the regional commissioners report to an assistant commissioner for program delivery/field operations. Because this executive's duties would concern service delivery, the position would serve to promote rather than diminish field office concerns. Thus, we believe the concerns about the high-level placement of regional commissioners can be adequately addressed in several ways.

Another comment related to the regional commissioners concerned their relationship to the PSCs. One person did not believe this was an appropriate reporting relationship, noting several reasons, including the following:

- PSC workloads are nationally rather than geographically based because of an early decision to provide stability in service delivery (i.e., a person always deals with the same PSC regardless of location).
- The major communications and workload management links are to headquarters components, centralized record systems, and other PSC components, not regional components.
- ODO and the international PSC share common needs and concerns with the PSCs and should be organizationally placed with the PSCs; however, this cannot be logically done when the PSCs are perceived as regional entities since they are located in headquarters and handle national workloads.

The respondent concluded that the regional commissioners and PSC directors should be organizational equals who report to an assistant commissioner for program delivery, who would consolidate and present the service delivery viewpoint to management.

In alternatives A through D, we made the PSCs subordinate to the regional commissioners to organizationally combine the management of SSA's principal service delivery points. In addition, our analysis indicated that PSC workloads are decreasing and tensions over regional and PSC staffing and workload patterns are growing. We believe the placement of the PSCs is an important organizational issue. Nevertheless, we recognize that our proposed arrangement creates questions about the placement of ODO and the international PSC. These questions can be addressed by placing these components also under regional office jurisdiction, leaving them in headquarters, or dispersing their workloads to the other PSCs over time. Again, the long-range service delivery goals of the agency must be determined before determining the relationship between the PSCs and regional commissioners.

OHA

Twenty persons commented about the placement of OHA. In three alternatives we placed this office in the program operations area to improve the communication of program related information. In the other alternative we showed it as a first line organization reporting to the commissioner's office to enhance its independent review function.

Nine persons said that OHA should be a first-line organization. Those who discussed the issue said this organization would improve its independence. Eleven persons said it was not necessary to make OHA so independent. Those commenting said SSA would be better served by keeping it close to program operations. We have no opinion about the placement of this organization.

Some Believe Still More Program Emphasis Needed

Four persons said that SSA needs a structure that places more emphasis on programs than even our alternatives do.

- Two persons said they favored alternative A because it places most components under one leader who reports to the commissioner. However, they would add all the components shown under central operations to the program operations component.
- Another person said he did not favor any of the alternatives because they represent attempts to fine-tune the functional organization rather than the bold step that SSA needs to take.
- Finally, one person said that SSA needs a structure that pinpoints basic areas of responsibility in relationship to expected outcomes from the public, the Congress, and others. This is particularly true of the disability program, which requires a great deal of management of state agencies through the budget and review of their performance. Fragmenting responsibility for this program throughout an organization leads to inefficiency and ineffectiveness, according to this official.

We think it will be difficult to achieve the degree of program accountability suggested by the comments. First, adjustments suggested for alternative A would make the program operations component an SSA in itself. This arrangement creates a very unbalanced organization, severely insulates the commissioner from daily operations, and requires the program operations unit to make the same organizational decisions facing SSA.

Second, as discussed on page 237, it would be difficult to justify breaking up the Office of Systems' integrated program operations. It is for these reasons that we drafted the alternatives to fine-tune the structures.

Future Objectives Need to Be Determined

Two persons said that before it reorganizes, SSA needs to make a number of decisions on how it will deliver services in the future. SSA needs to decide (1) how to deliver beneficiary service at the turn of the century and beyond when the retirement and disability population will be about 80 million people, (2) what systems support should be available, and (3) what type of organization can deliver these services.

As noted earlier in the report and this appendix, we agree with the thrust of this comment. SSA should establish some long-range goals and objectives before making any major organizational changes.

Other Individual Issues

Several other individual comments were received about the organizational alternatives. These related to specific adjustments that persons would like to see made and whether there was a real need for reorganization.

One person said that SSA should have two deputy commissioners. One would be responsible for programs, central operations, and OHA. The other would be responsible for the regional commissioners, the controller and agency administration. Further, this person said that SMP policy and procedural matters should be under either administration or the central planning component in the commissioner's office.

Finally, one person said that any structure has its own set of problems. Whether the agency can work effectively depends on the commissioner's commitment to working with the structure and to getting senior managers to work together. This person said former Acting Commissioner McSteen demonstrated that where the organization needs to be adapted to meet a particular objective, appropriate action can be taken. This person cited Commissioner McSteen's use of project teams to implement her initiatives as an example.

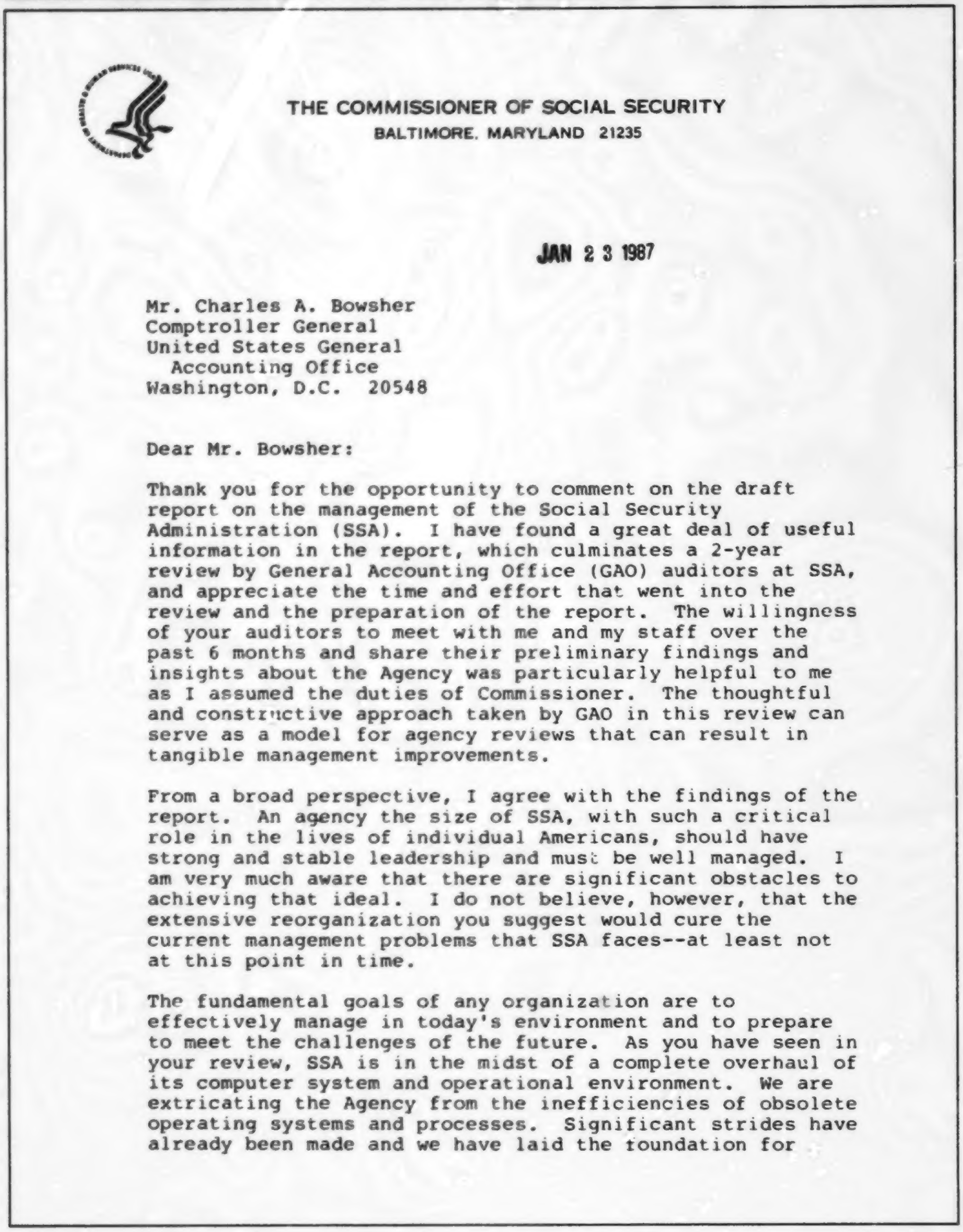
As noted earlier in this report, former Acting Commissioner McSteen said she used project teams to implement her initiatives to overcome organizational problems. Further, she recognized the approach had problems. One of these was the inability of the project teams to fully correct known problems. Thus, while actions can be taken to get around organizational problems, we do not believe the present structure facilitates effective management.

Summary

The responses to alternative organization structures show that any reorganization will be a controversial action involving many difficult choices. Because there are no hard and fast guidelines that govern the organization of a large and complex set of activities, it is critical for SSA to have a long-range plan. The plan needs to consider the nature and the size of the beneficiary population and changes in technology. Then it needs to identify SSA's goals for matters such as (1) how (telephone, mail, face-to-face) program services will be provided to beneficiaries and (2) how SSA should be configured to deliver services in concert with its long-range goals and plans. With a clear understanding of its future goals and objectives and how it wants to configure its service delivery network, SSA will be in a better position to organize the remainder of its activities.

Appendix II

Advance Comments From the Social Security Administration



THE COMMISSIONER OF SOCIAL SECURITY
BALTIMORE, MARYLAND 21235

JAN 23 1987

Mr. Charles A. Bowsher
Comptroller General
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Bowsher:

Thank you for the opportunity to comment on the draft report on the management of the Social Security Administration (SSA). I have found a great deal of useful information in the report, which culminates a 2-year review by General Accounting Office (GAO) auditors at SSA, and appreciate the time and effort that went into the review and the preparation of the report. The willingness of your auditors to meet with me and my staff over the past 6 months and share their preliminary findings and insights about the Agency was particularly helpful to me as I assumed the duties of Commissioner. The thoughtful and constructive approach taken by GAO in this review can serve as a model for agency reviews that can result in tangible management improvements.

From a broad perspective, I agree with the findings of the report. An agency the size of SSA, with such a critical role in the lives of individual Americans, should have strong and stable leadership and must be well managed. I am very much aware that there are significant obstacles to achieving that ideal. I do not believe, however, that the extensive reorganization you suggest would cure the current management problems that SSA faces--at least not at this point in time.

The fundamental goals of any organization are to effectively manage in today's environment and to prepare to meet the challenges of the future. As you have seen in your review, SSA is in the midst of a complete overhaul of its computer system and operational environment. We are extricating the Agency from the inefficiencies of obsolete operating systems and processes. Significant strides have already been made and we have laid the foundation for faster, more efficient service to the public in the future. Although I recognize and feel an urgency to achieve a business-like operating environment, in a modern computer environment, SSA cannot do everything at once and continue to move forward. Major structural changes at this time, I believe, would bring about minimal improvements and not contribute to resolving today's issues. Large-scale organizational changes would detract from agency effectiveness, become a false priority and an excuse for not dealing with more basic management and operational problems.

A number of references in the report discuss SSA's internal culture and indicate the Agency's reluctance to emphasize cost-effective measures, including productivity, because of their possible impact on the Agency's traditional emphasis on service to the public. It is my belief that SSA can achieve high productivity and cost-effectiveness while improving service. I concur that historical patterns and behavior create significant management challenges. However, the Agency has made meaningful strides to reduce costs by eliminating unnecessary work. For several years SSA has been reducing work that is of little or no value and thereby increasing our levels of productivity. Examples of our efforts include the elimination of millions of computer exceptions and alerts which have been found to be unproductive, and a more than 50 percent reduction in supplemental security income program redeterminations. These actions have allowed us to devote greater resources to more important work and to service to the public.

We provide below our comments on the major sections of the report.

Providing For Stronger and More Stable Leadership

The rate of top leadership turnover at SSA should clearly be a priority of any Administration and Congress. However, the ideal of one Commissioner serving a lengthy tenure may not be possible to achieve. And I do not believe the leadership vacuum has been created by the number of commissioners as much as by the fact that there have been so many acting commissioners, whose limited authority tends to result in the delay of important actions and decisions while the organization awaits new permanent leadership. Regardless of the tenure of leaders, the most important objective for such a large bureaucracy is to ensure that SSA achieves stability in its direction. Our efforts to formulate a more structured and definitive strategic plan for the next 10-15 years should provide the vision and direction that will guide the Agency into the next century.

You are correct that the importance of our activities confers a special financial management responsibility on SSA. Your recommendations are thoughtful and present a practicable means for providing more focus on financial management issues. Though some efforts are already underway to strengthen our internal control mechanisms, which are important to effective fiscal management practices, I recognize that there remains a great deal more to do. We will require continued indepth discussions with your staff as well as outside assistance to address fully the problems that you have identified.

Better Define and Communicate Agency Direction

The conclusions in this section of the report are correct and I have begun to take steps to better define and communicate our purpose and activities to all of our constituencies--the public, the Congress, and the Department and Agency management and employees. One of the most significant of these efforts is the establishment of an Office of Strategic Planning, reporting directly to me. Its major task will be the development of a 10-15 year strategic plan to guide SSA's development into the next century. The plan is intended to provide a dynamic framework for shaping SSA's future, rather than reacting to it. Its primary goal is the creation of a flexible operational and programmatic environment that provides a high level of efficient service to the public. The strategic plan will integrate all of SSA's areas of concern, including systems, operations, policy, data utilization, organizational structure and staffing.

The processes for policy formulation, regulations and field instructions all need to be streamlined. Instructions need to be shortened and simplified and cannot be written to apply exactly to every case. The task is to allow enough discretion so that cases can be processed expeditiously while, at the same time, ensuring that individuals receive equal treatment regardless of which office serves them. As important, a central clearance process needs to be established. The reconstituted Office of Policy will oversee this function, as well as our efforts to improve the quality of notices issued to our beneficiaries. A moratorium on the issuance of new Program Operations Manual System (POMS) transmittals and strengthened executive attention to notices are first steps in addressing these extremely important areas.

Improving Management Control Over ADP Modernization and Operations

In any analysis of SSA, the size and scope of our Systems Modernization Plan (SMP) should be addressed. The GAO report accurately describes the difficulties the Agency has experienced, some of which are yet to be overcome. The SMP is a major endeavor that will fundamentally change our systems and operating environments, and that will result in a more efficient and productive agency. At the same time it will establish the capability to utilize future technological changes in data processing. I am committed to implementing this modernization through to completion.

As the report states, improvement in the management of the systems area has occurred. To increase our management control over the SMP we have developed and put into place uniform software engineering standards for systems personnel to use as they develop and maintain the modernized systems. At the same time procedures have been initiated that closely control changes to our hardware and software systems and ensure that our prescribed software engineering practices and standards are used and enforced. The systems integration function has been strengthened to reflect an increased level of effort and emphasis. Collectively, these actions promote more effective management and control of the SMP development and implementation on a routine basis. In addition, the long-range agency planning effort will integrate systems modernization (and existing systems maintenance) projects with overall agency plans.

Improve and Maintain Workforce Quality and a Favorable Work Climate

The quality of our workforce and their dedication and motivation are very strong assets of SSA. Improving and maintaining its quality and work climate are among my highest priorities. It is clear to me that employee attitudes of dedication to and concern for those we serve are among the major reasons the public (as reported by GAO) has expressed satisfaction with the service SSA provides. The operational changes we are implementing as a result of systems modernization, at the same time we seek ways to operate more efficiently with a smaller workforce, require that our attention continues to be focused on ensuring a favorable work climate. The report's findings and recommendations in this area will be carefully considered.

Again, let me express my appreciation for the constructive work of your audit staff and for the opportunity to review and comment on the draft report. I expect to use the findings, analysis and recommendations of your review extensively in implementing additional necessary management improvements in the coming months. I invite your continued review of our progress and suggest that your initial follow up begin 6 months from the issuance of the final report.

Sincerely,

Dorcas R. Hardy

Dorcas R. Hardy
Commissioner
of Social Security

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